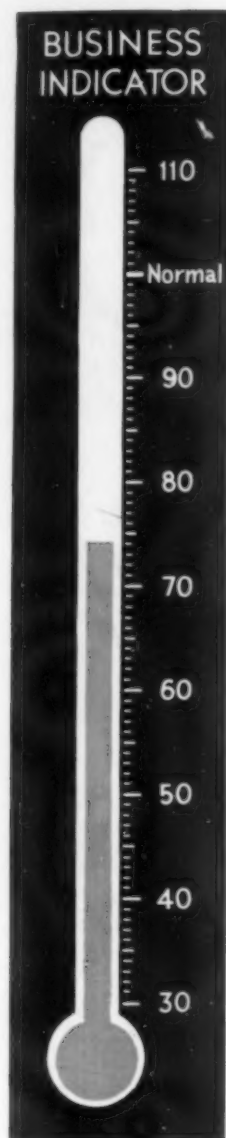


# THE

JULY 8, 1931

# BUSINESS

# WEEK



As the second half begins, the business outlook oscillates uncertainly in the sensitive balance of sentiment . . . . The psychological stimulus of the moratorium and other emergency efforts to ensure stability in the situation abroad has slackened. Security and commodity markets have sagged or are marking time till favorable news offers further nourishment for enthusiasm . . . . Meanwhile business indicators, except in certain sensitive retail lines, still register no concrete effect of increased confidence . . . . Our index, estimated early on preliminary figures for the last week of June, indicates a further recession, reflecting intensified seasonal contraction of activity . . . . Still it is increasingly evident that the explosive materials for a major upswing of surprising speed and proportions are accumulating in the unprecedented credit position of the Reserve system, the curious currency situation, the continued imports of gold, the abnormally unbalanced condition of commodity stocks . . . . These factors alone are automatically forcing a reversal of deflation, and are being strengthened by decisive considerations of domestic and international political and financial policy, all pointing imperatively toward credit expansion and price restoration . . . . They are bound to bring recovery in the course of time, and the longer the delay the more powerful their explosive force is likely to be . . . . All that is necessary to set them off is a sufficiently sustained spark of general confidence, generated by electric leadership.

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# What's In This Issue —And Why

## Mid-Year's Outlook

As we turn the corner on the first half year, *The Business Week* surveys the present prospect and its implications. The debt holiday proposal has changed the whole complexion of business. The accumulated store of credit, particularly in the Federal Reserve, contains the necessary ingredients of a new boom. (page 5)

## Debt Deadlock

Everyone is in agreement with the Hoover relief plan except France, but it's really up to Germany to make the next move. (page 7)

## South America

American attention is turned south as well as east; the special effects on each country of the general depression explained and interpreted. (page 9)

## Merchant Marine

Like the rest of the world, we are having our troubles supporting ocean shipping in the manner to which it has been accustomed. No general moratorium on money due the shipping board is likely, but individual aid is probable. (page 13)

## Canada

With the wheat pools unable to pay the farmers enough to restore their purchasing power, the federal government is anxious to do something about the situation; there are obstacles to a federal wheat board, but a purchasing monopoly might surmount them. (page 33)

## Chain Stores

The little chains sell more per store but the big ones make more money: buying power makes the penny saved a penny earned. The Harvard survey of profits and costs reveals other points of interest in grocery distribution. (page 15)

## Smokes Up

The Big Four have raised the price of cigarettes 45¢ a thousand. Seemingly insignificant, it

means that dealers can break even at 15¢ a pack because 2-for-a-quarter selling is made too unprofitable. (page 13)

## Automobiles

Radical changes in motor car design are being seriously considered; streamlining, rear engines, independent wheels are possibilities in the race to be better—and different. (page 17)

Fiat, Ford of Italy, may present Diesel-engined cars in 1932; cheap gasoline here has retarded their development for American cars. (page 17)

## The Personal Touch

Pierre Jay's Fiduciary Trust Co. does no commercial banking, no corporate trust business, no selling of securities, specializes in personal trust service for "men and women of means." (page 26)

## Steel

Waterways play an important part in steel's effort to cut its costs, particularly around Detroit where the big customers are. (page 30)

## Freight Rates

Hearings before the I.C.C. begin July 15, but what with vacations and shippers' protests, the roads can expect little action until late in the year. Some critics are outspoken in their appraisal of the roads' predicament. (page 11)

## Labor

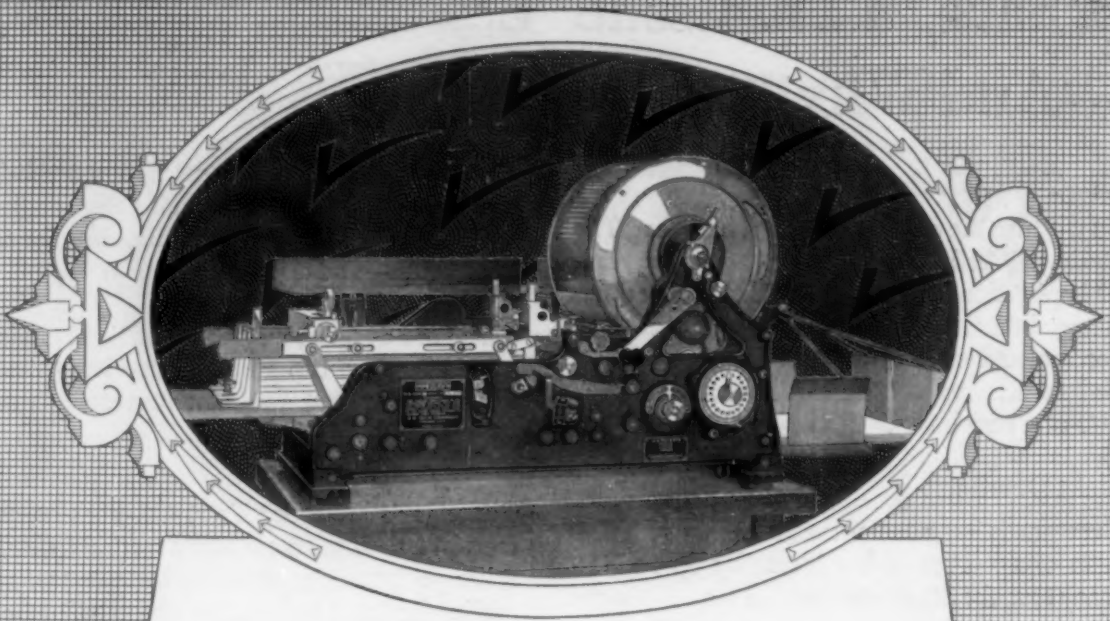
Detroit blames Ford for its heavy unemployment relief bills; Ford blames Detroit for mismanagement, says of course many were "former Ford employees," at one time or another—mostly another. (page 18)

The soap industry, on the other hand, has had notable success in stabilizing employment. (page 20)

## Movies

Quietly, but none the less firmly, the newspapers have persuaded the advertising movies to "cease and desist." (page 22)

France is likely to admit American films without restriction, which opens up a market one-third the size of America's. (page 22)



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# M I M E O G R A P H





# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending July 4, 1931

## Debt Holiday, Credit Changes Alter Whole Business Outlook

**Unprecedented accumulation of bank resources  
creates powerful pressure toward another boom**

THE war debt moratorium proposal has radically altered the probabilities in the outlook for business and the security and commodity markets during the last half of this year.

It lit a fuse, an erratic fuse which leads through devious, underground channels of international diplomacy, domestic politics, public psychology, and financial policy to a vast, highly condensed, super-charged accumulation of potential credit power locked up in the Federal Reserve gas tanks by prolonged, world-wide liquidation and pressed down by an unprecedented and steadily mounting pile of gold.

### **Awaiting a Spark**

If the sparks from this fuse are strong and sustained enough to touch off these credit tanks, an inflationary explosion of unparalleled force and speed is possible, with swift business recovery and sky-rocketing security and commodity prices in this country, repercussioning around the world. And as matters stand the Reserve authorities are not in a position to stop it if it starts, even though, putting persuasive political considerations aside, they felt impelled to do so.

By the end of May conditions here and abroad had reached a critical point. Collapse of commodity and security values and of business and financial confidence had brought things to a rock bottom on which the world debt structure was bound to break up in a universal epidemic of defaults and was beginning to do so. Peru, Bolivia, Chile, Colombia, Australia, Austria, Germany had broken down under it, or were about to, as the mid-year settlement date approached.

### **At Low Ebb**

Frozen real estate and farm mortgage situations were undermining the last buttresses of banking structures, mortgage companies, and even of insurance

institutions in the big centers here and abroad. Business indicators here were beginning to sag heavily under the onset of severe summer slackness. The end of June loomed like judgment day in world financial circles.

### **The Tide Turns**

It became imperative to relax the pressure for liquidation and further deflation. The word went round in New York, from some superior source, urging banking support for the security market, and trading margin requirements were lowered. The application for increased rates rallied railroad stocks. Emergency bank mergers in Chicago saved some of the wreckage there. The Chequers conference prepared the way to put a moratorium ultimatum to Washington. American and British banks stepped in to save the tottering Credit-Anstalt bank in Austria. Secretary Mellon was dispatched abroad to lay the lifelines in a rescue mission for Germany.

The moratorium proposal was sprung at midnight June 19, extending a year's credit of nearly half a billion to Germany. It has been followed by maneuvers to mobilize another credit rescue mission for Latin-American countries.

### **Farm Board Enlisted**

The Farm Board this week has been warned by the White House to keep the weight of its wheat surplus holdings off the world market at this critical time, when the new crop is coming in and prices are perking up under a revival of speculative confidence.

The Reserve Banks have come to the relief of the Reichsbank over the June 30 settlement day by buying foreign bills; and are looking for a similar way to help certain South American countries over the critical period.

Judging by last week's bank statement, they seem also to have begun to

apply further pressure toward easier money and increased active credit volume in the New York money market, by buying government securities for the first time since last August, though this may be merely a move to help the New York banks in their window dressing for July 1.

The essential significance of all this is that it signals the substitution of a policy of active credit expansion for an increasingly helpless process of runaway deflation. This reversal was inevitable sooner or later this year under sheer pressure of persistent gold imports, which had practically wiped out the indebtedness of member banks to the Reserve Banks, put the currency in circulation in this country on more than a hundred per cent pure gold basis, and were beginning to pile up excess reserves which the member banks would be forced to put to work. The events of the past month have merely thrown the gears of the financial system from reverse into first speed forward and tapped the accelerator.

### **This Was on the Books**

If these events had not occurred the possibilities were:

(1) A world-wide financial collapse and political chaos with suspensions of security exchanges and banks in every country, requiring a universal moratorium on private and public debts until a process of reconstruction extending over years could be organized on an international scale.

(2) A slow, uncertain and irregular process of business recovery in this country, involving prolonged and painful readjustments of wages to depressed price levels, of creditor interests to piece-meal debt defaults, of exporting interests to a domestic market.

### **A Slow Recovery**

If economic collapse and political chaos in extreme form had somehow been postponed or dragged out abroad, some measure of business recovery in this country on a radically different basis might have been possible after a year or two, when most of the losses in foreign liquidation had been absorbed.

It is likely that hopes of any marked or permanent improvement this Fall or even next Spring would have been disappointed. What there would have

been would have depended on gradual restoration of a new equilibrium between prices, wages and capital costs in the domestic market, slow increase of demand for consumers goods on a lower level of income, and slow accumulation of new capital savings under diminished confidence and increased tax burdens.

### Needed Change Abroad

It is doubtful whether the large credit resources of the Reserve system would automatically or could effectively have been brought into play to produce any rapid expansion of business or rise of prices on a purely domestic basis in face of continued depression abroad. Even the extreme lowering of money rates in the American market under Federal Reserve policy up to the middle of this year has had little stimulating effect on domestic business because of continued paralysis of confidence caused by the uncertain foreign situation.

### Business Reaction Lags

This sort of outlook might still be indicated if the recent moves to stabilize the foreign financial and political situation prove abortive and are not followed through. For a year or more, there probably will be recurrent periods of uncertainty connected with the Congressional session and the disarmament conference next February. Business activity itself has not begun to reflect the reversal of sentiment associated with the events of the past month, and the securities and commodity markets will probably react sensitively to the daily news developments.

But with political and financial policy pointed definitely in the direction of credit expansion, and started off on this tack with the momentum of the war debt moratorium, the balance of probability is now on the side of rapid recovery, and the problem is likely to become one of control rather than acceleration.

### Credit Position Altered

The basic reason for this lies in the unprecedented position of the Federal Reserve system. Not only has it the resources necessary to finance a vast and rapid expansion of business activity, on price levels approximating those of the pre-crash period, but it is practically helpless to resist or retard such expansion when it gets started. This is roughly indicated by the following facts showing the radical alteration of the Reserve credit position during the past 2 years:

(1) Since the end of June, 1929, the gold stock has increased nearly \$600 millions, or about 13%. This country now has about half of the world's

monetary gold. This increase, if allowed to become fully effective in credit expansion in this country, could offset about half the decline in commodity prices since 1929. In our Reserve system this increase would afford the basis for an expansion of at least \$6 billions in bank credit, or from 12% to 14% of the total bank credit now outstanding.

(2) Despite this piling up of gold reserves, the total volume of bank credit has declined nearly \$3 billions since the end of March, 1929.

### Reserve Balances Higher

(3) Despite this decline in bank deposits, which in the member banks alone amounts to over \$2 billions, the reserve balances of the member banks are slightly higher than 2 years ago and probably over \$100 millions in excess of requirements; their assets eligible for rediscount by the Reserve banks are only about \$300 millions lower, and equivalent to a quarter of their total deposits.

(4) Their indebtedness to the Reserve banks has declined from about a billion to little more than a tenth as much, largely as a result of the gold imports.

(5) The amount of Reserve credit in use has fallen from about \$1½ billions to less than billion, a decline of over 30%—about the same as the decline in the commodity price level; and most of what there is is represented by securities bought by the Reserve banks, bill holdings and discounts having fallen to a very low level.

### Hoarded Currency

(6) The amount of currency outstanding today is slightly higher than it was 2 years ago at the peak of the boom, although business activity has declined more than 25% and retail prices more than 10%. This means that there is an excess of as much as \$500 millions in currency hoarded by individuals or idle in bank vaults—almost as much as the amount of gold imported in this interval, or the amount of securities the Reserve Banks have bought. The return of this currency out of safe deposit boxes or bank vaults to circulation through the Reserve Banks would afford a basis for at least \$5 billions of new credit expansion.

This means, on a rough estimate, that without any initiative by the Reserve Banks to increase outstanding credit, an expansion of between \$12 and \$15 billions by the member banks is possible. With trade volume at its present level this would be sufficient to raise the general level of commodity prices by 30%, wipe out the past two years' deflation.



*International News*

**GERMAN GOLD**—Those heavy little boxes—the first to cross the Atlantic in the present crisis—arrive in New York. This shipment totalled \$14,600,000

The explosive power of this situation is strengthened by the great depletion of invisible stocks of goods (*BW*—Jun 10'31).

This credit reserve may either be let loose in bulk here at home, by Reserve Bank bond purchases, or fed out in small doses by buying foreign bills. The latter is more likely in view of the importance of the foreign situation in domestic psychology but even this roundabout expansion would have quick repercussions at home.

In either case the potential pressure for expansion is inescapable, for mechanical reasons alone, apart from political and psychological factors. The Reserve System has reached the limit of its powers to sterilize more gold. Further imports must automatically make for credit expansion.

### Job for Bulge Sitters

If this begins and, as usual, becomes cumulative in force, how could the Reserve authorities sit on the bulge? Raising rediscount rates would not be an effective check for a long time because the member banks are almost out of debt to the Reserve banks and could expand a long way without further borrowing.

Sale of present security holdings by the Reserve banks is the only pressure

they could bring to bear against excessive expansion, short of amendment of the Reserve Act to raise reserve requirements. But the Reserve banks hold little more than enough securities to offset the excess currency outstanding.

The gold imports of the past two years would still remain as the basis for credit expansion, and after the Reserve security holdings were sold there would be little more ammunition in the Reserve lockers with which to check inflation.

#### Reserve Policy

Thus the Reserve, for sheer self-protection is compelled paradoxically to fall in line with the political policy of expansion—to promote expansion immediately by acquiring more securities at home or foreign bills abroad, thereby putting itself in a position to apply pressure for contraction when the time comes. If it had begun to do this a year ago the situation and its own problem might not be so difficult now.

Given a favorable outcome of the efforts to prevent further foreign trouble, rising prices and rapid business recovery are inevitable. Whether they can be wisely controlled remains to be seen.

## Deadlock on Debt Holiday Awaits Action by Germany

**France wants assurance that Young Plan will survive moratorium and it's the Reich's move**

"... all governments, except the French government, have now agreed in principle to the President's moratorium plan." So read a pointed communiqué from Washington at mid-week. It meant, "on France now rests primarily responsibility for success or failure of the Hoover plan." We disagree. The responsibility now seems to rest primarily on Germany.

Wanted, and so far undiscovered, a compromise formula. President Hoover's proposal (suspending the Young Plan for one year) still remains unreconciled with French readiness to collaborate in relief of Germany but adamant insistence that the Young Plan, their only guarantee of reparations, shall not be compromised.

Prospect of agreement is uncertain.

Business has quickly reflected this uncertainty. Commodity and stock markets have weakened. Withdrawal of credits from Germany has been resumed.

The administration in Washington has reaffirmed its resolution. No modification of the Hoover Plan will be approved, which, in effect, would jeopardize full relief to Germany by Germany's principal creditors. On the other hand, if full relief means scrapping the Young Plan, no government in France could be party to such an agreement, and live.

#### At a Deadlock

A deadlock has been reached. Unless broken, this deadlock will result in world-wide disappointment, violently reactionary markets, collapse of confidence and credit, a probable upheaval in Germany, and a tremendous stiffening of French nationalism. The situation cries for a new factor to break the balance of deadlock forces. But with the United States and France apparently both arrived at the irreducible minimum of concessions, this new factor must seemingly come from outside. And seemingly, it can come only from Germany.

#### Germany Must Act

Throughout the Paris negotiations Berlin has stood punctiliously aside from any intrusion. This negative policy has no doubt been motivated, in part, by a belief that Secretary Mellon at Paris could obtain more for Germany from the French than Germany could obtain for herself by interference. But the United States has felt that only Germany can give assurances to France as to the Young Plan. Conversely, the Germans have felt that President Hoover started the discussion, wherefore it was up to the United States to finish it—and probably hoped that the United States would be able to finish it in a way which would leave continuation of the Young Plan open to further discussion. If so, Germany has reckoned without pragmatic French common sense. The hope has been frustrated. Germany now has the choice of 2 alternatives.

(1) Itself to reaffirm the inviolability of the Young Plan, in a form giving France acceptable assurance that she will



Keystone

**SECRETARIAL SAFETY**—Army officers strap a parachute on Secretary of State Stimson before flying him to New York on the first leg of a European holiday which coincides, curiously enough, with proposals for a holiday on war debts



not be left empty-handed by a moratorium or suspension.

(2) To allow the Hoover Plan to fail and then herself to declare a moratorium as provided for under the Young Plan itself.

### The Consequences

What would be the consequences of these 2 alternatives? A moratorium under the Young Plan can go into effect only 3 months after declaration, not immediately; can apply only to the so-called postponable payments, \$244 millions, not to the non-postponable payments, \$157 millions; can apply in the first year only to non-transfer of these suspended payments which must be collected and paid into the Reichsbank in any case. The relief thereby afforded the German budget, the German Federal Railways (which under bond stand guarantor for the non-postponable payments), and to the German taxpayer, would be negligible. By contrast, the Hoover Plan would relieve Germany of \$550 millions, collection and transfer both, and immediately.

Manifestly the Hoover Plan is of incomparatively greater advantage to Germany. But it requires French consent. French consent is conditioned to German reaffirmation that suspension of the Young Plan shall not mean abandonment. Such reaffirmation means purely and simply that Germany must now sign the Young Plan for the second time; see go glimmering (though not necessarily for always) any tangible hopes of an early reparations revision and scale-down; a renewed declaration of "subjugation and tribute."

### Two Other Snags

The situation has now shaped down to an issue primarily between France and Germany. Wherefore, probability points to a suspension of the Franco-American negotiations pending a Franco-German conference. In addition to the basic question of Young plan renewal, such a conference would have to find solution on other points of disagreement on which the Franco-American negotiations have snagged:

(1) Will Germany be relieved not only of the postponable but also of the "unpostponable" or unconditional Young Plan payments? The French so far say no, but offer to reloan to Germany and to *other of the financially straitened countries of eastern Europe* (chiefly allies of France) the amount of continued German unconditional annuities to France, \$119 millions.

(2) If unconditional German payments are continued, but reloaned, will the payment be considered as being

equivalent to any other annuity and permit France to use this payment as guarantee to the International Bank in case Germany should later ask for a further moratorium under the Young Plan?

These are only two of the more knotty problems to be threshed out. It is improbable that American negotiators can speak and say the last word for Germany on these points. The best they can do—unless the situation changes unexpectedly and radically—is to prepare the ground in Paris for a Franco-German conference to be held on a platform of agreed limitations.

### When It Works, It Works

Meanwhile the Hoover plan, snagged in Paris, has gone into actual effect elsewhere;

(1) England has extended the moratorium to its Dominions at a cost of \$56 millions in postponed payments to its own Treasury and budget. South Africa has announced it will not need the proffered moratorium; will continue scheduled payments. India, Australia, have accepted with deep relief.

(2) Belgium, Poland, and Czechoslovakia, all allies of France, have added their acceptances of the Hoover plan. The Belgian reply, when published, will

probably contain reservations. (Belgian reparations total \$24.5 millions).

(3) Italy has invited Bruening and Curtius to a "Chequers" conference in Rome. The invitation has been accepted. Such a conference implies an Italo-German understanding as to spheres of influence in central and eastern Europe, particularly as might grow out of an Austro-German Anschluss to which Italy is so far opposed, and out of trade treaties of a more or less preferential nature which both have negotiated with Balkan countries.

(4) Italy has suspended German, Austrian, Hungarian and Bulgarian war debt payments due July 1, at the same time informing England and the United States that she is ready to meet her own payments due on the same date.

(5) Administrative sentiment in Washington now believes a special or an early session of Congress will not be necessary to ratify the Hoover plan—if it goes through—in order to make ratification effective prior to December 15 when the next war debt payments are due. If necessary, debtor countries are expected to defer payments should ratification by Congress be considered a practical certainty.



Wide World

A SHORT VISIT—Andrew Mellon, secretary of the treasury, stops off at Cambridge for a chat with his son, Paul Mellon, a student there, before hurrying to Paris to discuss the war debt with Premier Laval





JOLLY THRILLING—A scene in Shorters Square, the Wall Street of London, as brokers gather to discuss the effects of President Hoover's debt plan

## Price Drop and Easy Loans Put Latin America in Difficulties

SEVERAL Latin American nations need relief as acutely as Germany. Widespread recognition of this condition has prompted lively discussion for the past week. Washington, and investors concerned, desirous of having something done, have publicized the matter. But publicity has been running ahead of action.

No intergovernmental debts are involved, so there is no possibility of any such step as taken toward German relief. It seems to be up to private creditors and bankers. The government can do little more than apply pressure on them—which it is doing.

The one great group in this country most directly and widely interested in Latin America—and therefore most capable of helping—is the New York City banks. But they are hesitant. Any action they take is almost certain to be limited to specific cases. Chile is most widely considered just now. The Federal Reserve System could grant extensive aid but is likely to do little more than work with, and support, the commercial banks.

However vague the plans to help Latin American governments out of their

present fiscal difficulties, the press announcement "Hoover comes to aid" has focused attention on these countries, especially those south of Panama. Acute world depression has had a peculiar effect which not all outsiders understand.

Financial difficulties are due (1) to the fall in commodity prices; and (2) to a sudden drying up of lending sources from which there has been excessive—and very easy—borrowing. The first is more significant for, by depressing domestic purchasing power, it has directly caused the second.

### One-Product Lands

All South America is essentially a producer of primary products, either agricultural or mineral and the prices of the things they sell have declined faster and farther than the prices of those they buy. The fact that most South American republics are one- or two-product countries makes the problem especially difficult.

In Brazil, 71% of the country's exports consists of coffee. Tin makes up 77% of Bolivia's sales abroad. Chile is a 2-product country. Nitrate makes up 50% of total exports; copper 33%. Colombia's coffee accounts for 61% of

total foreign sales. Another 21% is petroleum. Uruguay, small but prosperous, depends on wool and animal products for 84% of outgoing foreign business. Venezuela, which in recent years has become the world's third largest producer of oil, counts on crude petroleum for nearly 75% of total exports. Argentina depends on 3 products—corn, wheat, linseed—for 50% of its foreign sales. In Peru, copper, crude oil and cotton make up 70% of exports.

The effect on any one country's purchasing power of a decline in the world price of any of these commodities is at once evident. Actually, every one has declined, and drastically, in the recent depression. Coffee suffered most, has brought despair to Brazil. From January, 1929, when coffee prices were at a peak, to the bottom on April 16, there was a drop of 76%.

### Here's Their Living

The immediate significance of the figures is the fact that it is through the export of these commodities that Latin American countries must chiefly depend for paying service charges on foreign debts and for imports.

Like economically new countries the world over, the Latin American republics depend chiefly on indirect taxes for their national revenue. Dr. Edwin Kemmerer, "money doctor," who has been called to the aid of a number of Latin American governments, has pointed out the percentages of total ordinary revenue which the various countries derive from customs and shipping duties: Argentina, 27%; Brazil, 42%; Bolivia, 41%; Chile, 57%; Colombia, 57%; Ecuador, 46%; Peru, 28%; Uruguay, 41%; Venezuela, 51%. When exports fall off, as they have in the present depression, revenues from export taxes decline. With curtailed purchasing power, imports fall and, with them, customs import revenues.

In contrast to the increasing gloom during the last 2 years, and having a bearing on the immediate future is the recent spectacular commodity upturn.

### Recovery Too Late

The recovery in commodity prices has come too late to save the immediate situation in South America, though its effect is not to be ignored. Bond prices have reacted upward. Reports of financial aid, still formulating, call up these facts relating to the United States participation in Latin American financing in the past, the Yankee stake in these temporarily distressed countries:

The United States has \$5 invested in Latin America for every \$4 in Europe; American investments have grown

from less than \$1 billion before the War, to nearly \$5½ billions;

Before the War, 82% of United States investments were in Cuba and Mexico. Now only 55% is in these 2 countries, 41% is in South America;

#### Our Huge Stake

United States investments in Mexico totaled \$1,550,096,000 in 1929; Cuba (largely the sugar industry) \$1,525,900,000; Argentina, \$611 millions; Brazil \$476 millions; Chile \$396 millions; Colombia \$261 millions; Venezuela \$162 millions; Peru \$151 millions. These investments compare with the following American investments in Europe (in most cases more widely known): Germany, \$1,350 millions; Great Britain \$600 millions; France \$430 millions; Italy \$375 millions.

Total debts of the central governments of South America are about \$3,390 millions. While the per capita debt in all countries is below that for the United States there is no such ability to pay as here, and a much larger proportion of the payments must be made abroad. In addition to federal government debts, there are huge state, provincial, municipal and corporate obligations. The total share due the United States is estimated at \$2,290 millions.

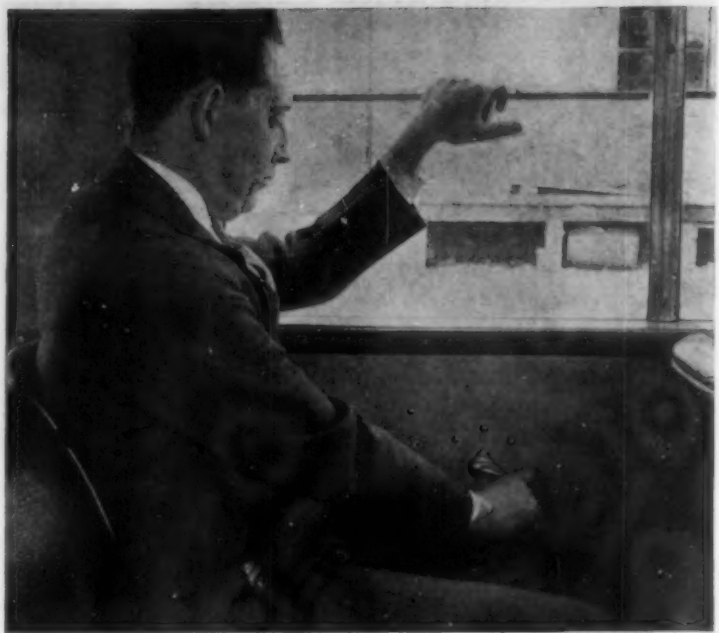
The record of payments thus far has been unusually good in the face of such unfavorable conditions. Only Peru and Bolivia have defaulted as nations. One or 2 provinces in Brazil complete the list.

#### Drained of Money

But this record has been established at a tremendous cost which cannot much longer be met. With a steady balance of payments against them, money has been steadily drained out of these nations. Foreign money, in which obligations must largely be paid, has steadily become more expensive—or local currencies have depreciated. This has increased the burden of payments. Brazil has finally resorted to paying in milreis, making foreigners instead of herself suffer the exchange loss.

Exchange quotations picture the situation. The milreis, at par, is about 12¢. It dropped steadily to about 6¢ in May, is now above 7¢. The Argentine peso, par 96.48¢, stands at about 60¢. Peru's currency is pegged at 28¢ against a 40¢ par. Several other declines of equal severity are on record.

Facing such a currency depreciation and large unfavorable balances of payments, gold has steadily been shipped abroad, and foreign reserve paid out. Brazil has now sent all of her gold abroad.



Underwood & Underwood

**EASY DOES IT**—Windows on a new type of street car now in test operation at Joliet, Ill., are raised or lowered in the automobile manner, thus obviating the necessity of profanity or frantic pleas to the conductor

### How Each Country Shares Latin America's Burdens

THE current situation in the principal South American countries briefly:

**Argentina.** Probably the most sound, economically, of the South American republics. Exports of grain in the first half of 1931 rapidly approached 1929 volume. Thus the country is ready to benefit at once from current commodity price improvement. Debt payments have been met to date, the last being the remittance to Baring Brothers & Morgan, London, of £2½ millions on June 30. The balance of £2½ millions is due Dec. 31. The \$50-million short-term United States loan comes due Oct. 1. Bonds are up. So is peso exchange. The government denies the need of a moratorium. New York bankers are inclined to expect an extension of short-term credits rather than demand gold payment which would help neither Argentina nor New York.

#### Brazil Badly Off

**Brazil.** With the gold supply exhausted, exports cut in half, purchasing power reduced with a resultant cut in import revenues, the country's finances are not in a good position. Sir Otto Niemeyer, representing the Rothschilds, has made a study of the condition of the Banco do Brasil, is expected soon to make public his report. Most favorable factors in the outlook: Upturn in

coffee prices and record shipments during the first quarter; natural and unfailing resiliency of the country.

**Chile.** Soundly organized, with excellent credit record, but temporarily over-borrowed. Business depressed. Country readjusting itself to new organization of the nitrate industry under a single company — Cosach — which greatly strengthens its competitive position on world markets.

**Colombia.** Suffering from depressed coffee and petroleum prices but regaining foreign confidence through the Olaya government, improved legislation, drastic economy, settlement of long-standing oil concession dispute. Colombian bonds gained sharply in the recent rally.

**Peru.** Because of the extreme instability of the government, and the recent default on bond service charges, the credit standing of the country has dropped. Recent governments are accused of foolish expenditures on many minimum-revenue-producing projects. Recovery is likely to be slow, despite economic potentialities, and awaits a stable government.

**Venezuela.** Despite low crude oil prices, the country, from oil taxes, has paid off its foreign debt in full. Boom days in the oil industry have passed, temporarily at least, and revenues are reduced though the country still is in good condition.

# Railroads' Critics Rise to Bait Of Rate-Raise Petition

**Old charges are revamped, new ones brought out in protests filed with I.C.C. by 116 objectors**

PRAYER of the railroads for a 15% freight increase has started wild-eyed rumors which add to the general agitation of shippers and multiply the protests pouring in on the Interstate Commerce Commission. To a representative of *The Business Week* an I.C.C. official denied the fevered report that a 7½% boost would be granted right away, opined that it was a by-product of the heat wave.

Also groundless was the fear that the commission was so heart-broken over the railroads' plight that action would be taken without first conducting hearings. Such palpitations were eased by the announcement that hearings will begin in Washington on July 15. At these sessions proponents of the increase will have their innings. Protests will be heard beginning August 31. Supplementary hearings will probably be held at a few points outside Washington.

The long period apparently includes vacations for the commissioners and makes remote the possibility of action until late this year.

Formal objections to the raise have been filed by the United Paperboard, New York; the state of Iowa, through her Commerce Counsel; the North Carolina Traffic League. Informal but just as vehement antagonism is registered by 116 commerce bodies, shippers' associations, state commissions.

These militant groups are taking no chances on "exceptions" which would cut the rates in which they are interested. Protests are most violent from shippers of heavy bulk freight such as coal, lumber, grain, and live stock.

There are some 17 proponents of increase—associations determined to preserve the efficiency of the carriers, firms and investors troubled by the downward drift of rail earnings.

Investors will take the raise if they can get it, but even the distant possibility of a straight 15% would not hush questions they are asking with growing insistence: Is rail management as effective and imaginative as it ought to be? Are rate increases a substitute for bold and intelligent direction?

Criticism of the railroads has become a major national pastime. Rail executives indulge in the recreation themselves. They admit management isn't everything it might be, but point out that improvement in rail service has been great in the last 10 years, end with the disturbing query, "What business as large and involved as ours is perfectly handled?"

## Short-Sightedness Changed

Nonetheless, there are plenty of volunteer stone-casters. Rail heads (they say) have aged into inflexible bureaucracies, are too enamoured of their own business. The vice-president who boasted that he liked nothing better than to sit "at the hump in a freight yard and watch the cars roll past" might have subdued his sentiment and indulged in some pure research regarding the future trend of transportation. While doing a perfectly good job improving rail operation they have not sufficiently observed or understood what was going on beyond their right-of-way. (As witness the fact that truck and bus competition began during the war, became an evident threat in 1920. Eleven years have intervened and the roads as a whole are just beginning to fight the enemy with his own fire.)

## Eastman's Criticisms

A significant critic of the railroads is Mr. Joseph Bartlett Eastman, strongest and most out-spoken I.C.C. member.

Specifically, Commissioner Eastman points to routing which carries freight on wasteful wandering when other available trackage is fast and direct. He suggests a common research organization to balance activities, to apply to all the results of individual discoveries. Such benefits could include standardization of container and detachable truck body practice, store-door delivery and pick-up, use of forwarding companies, electrification, balance rate revision.

The North Carolina Traffic League in the first detailed objection gives voice, and vigorously, to the shortcomings charged against rail management. Frankly fearful that the Commission will act without due deliberation, it accuses the roads of asking "summary police court procedure." Echoing other protests, it asks why the railroads shouldn't bear their own depression



*International News*

**RAILROAD LUNCH**—The chairmen of the American Railway Association's special committee on rates meet in Chicago. Left to right are H. A. Scandrett, president of the Chicago, Milwaukee, St. Paul and Pacific, chairman of the Western group; J. I. Pelley, president of the New Haven, chairman of the Eastern group; W. R. Cole, president of the Louisville and Nashville, chairman of the Southern group



pangs. The law presupposes intelligent and aggressive operation; it is charged that a "minimum of enterprise" has been employed.

#### Advice on the Trucks

Huge volumes of tonnage are going to trucks yet the managers "are content to rely comfortably on the excuse that the rate structure is wanting in that flexibility that would enable them to meet competition. . . . Absurd. . . . It is for the railroads to modify their rate structures to give them the required flexibility." If the carriers were not lacking in diligence it would "long since have reduced short-haul rates to meet truck competition; they would have established trucking lines themselves and co-ordinated them with rail services; they would have transported truck bodies loaded with freight and delivered them in much less time than trucks can operate on crowded highways."

Why keep up rail wages during a depression? It "is not established that railroad wages are now in line with other industries. . . . There are frequent instances where unnecessary service is maintained because a contract with some labor union requires its maintenance." General level of wages "are excessive" and management should prove it had reduced costs before "increasing the cost of transportation." Thus the Old North State's objectors.

#### Passenger Service Hit

The railroads have cut down on deluxe passenger service, but have they gone far enough in that direction? No, says the Traffic League. Figures are produced which are hard to answer: Freight operating ratio runs between 65 and 85%. "For such typical roads as the Louisville & Nashville every dollar of passenger revenue represented an operating loss of 23.41¢ and every dollar of freight revenue represented a profit of 25.19¢."

Accounting practices also are challenged. It is asserted that the dividend record and huge surpluses of certain companies are not consistent with pleas of dire poverty.

#### I.C.C. Fixes Date For New Class Rates

THE Interstate Commerce Commission has ordered the railroads to put into effect December 3 the new Eastern and Western class rate scales. Apparently this is part of the jockeying preliminary to the actual consideration of the request for a general 15% increase in freight rates.

The class rate revision was issued a year ago but without an order prescribing an effective date. There was an understanding that the roads would file the necessarily elaborate tariffs as soon as possible. The roads have been hanging back. Arises now the unworthy suspicion that their reluctance was due to their ardent interest in the application for a 15% increase—consideration of which might be less favorable if it could be shown that they were getting relief in spots where it was most needed.

The new class rate scales are supposed to produce some increase in revenue, especially in the West. They would give the Commission something to point back to in case the flat rate increase is denied.

#### California Law Aids Independent Against Chain

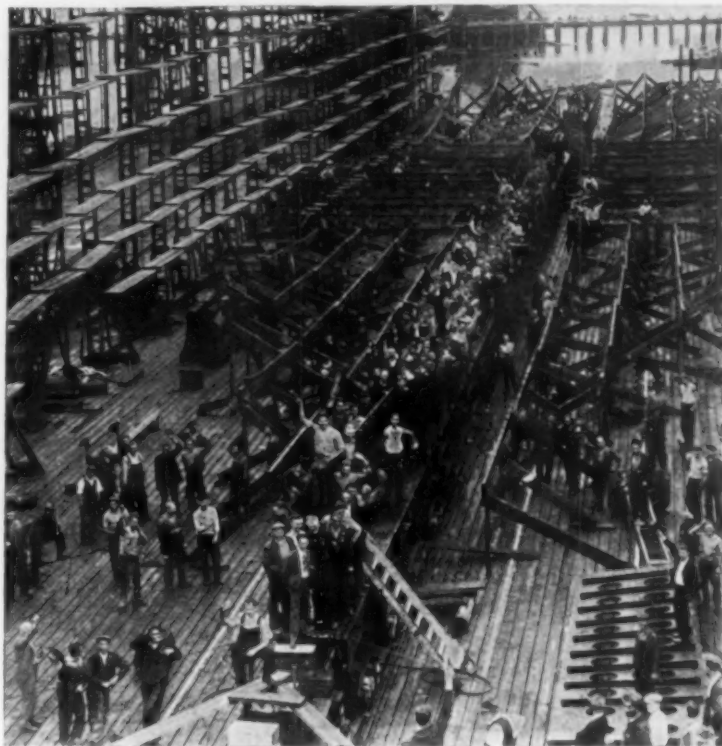
NOT satisfied with having placed on its statute book a baby "Capper Kelly" bill to permit price maintenance within the state (*BW*—Jun24'31), thus to some extent cramping certain types of chain

competition, California's Governor James Rolph has signed the so-called "anti-discrimination act" further to help independent merchants stay independent.

#### Cramps Invaders' Style

This new law prohibits price discrimination between different sections of the state unless based on differences in quality of goods, quantity sold or cost of transportation. It is particularly aimed at chains that: (1) invade new territory with introductory prices set so low that independent dealers find it impossible or ruinous to meet them; (2) then, having cleared the field and won a "following" of steady customers put prices back to more profitable levels.

To carry out such procedure with the new law in force a chain would have to quote the same low-profit or less-than-cost prices in all stores within the state, while building patronage for its new unit. This is expected to be too unprofitable to be popular. Furthermore, the first violation is punishable by a fine up to \$500, imprisonment up to 60 days; on the third conviction proceedings for forfeiture of charter will be instituted.



**TWO YEARS' WORK**—Workers in the Federal Shipbuilding yards at Kearny, N. J., cheerfully gave up their lunch hour to lay the keel for the first of 4 ships for the South American service of the Grace Line. The \$17 million order will take 2 years to fill; workers look forward to work





**MAKING WAY FOR THE BIG ONES**—Secretary of War Hurley (with the shovel) starts the work on New York's 1,100 foot piers on the Hudson while Dock Commissioner McKenzie (left) and Mayor Walker (right) look on. The new piers will provide Manhattan docking space for the largest liners, some of which now tie up in Brooklyn for lack of facilities

## Like Everyone Else, We Have Our Ship Lines in Trouble

SHIPPING relief is going the rounds. This week it centers in Washington where the United States Shipping Board is absorbed in the problems of aiding in the maintaining of an American Merchant Marine. "All the legal power within its command" will be utilized to keep the American fleet afloat.

No general moratorium on debts due to the Shipping Board is likely. But in the case of the United States Lines, which Paul W. Chapman purchased from the government 2 years ago for \$16 millions, aid is likely to be granted. The payments due from the company in 1931 and 1932 total \$2½ millions; probably will be postponed. The general depression in the shipping business is blamed for the inability of the operators to meet these expenses.

### No Reflections Cast

The move by the Shipping Board to relieve the U. S. Lines casts no reflection on the operating ability of Mr. Chapman, nor on the general credit standing of the lines. Shipping throughout the world is depressed by light freight and passenger traffic. At best, it is an arti-

ficially supported business. In the highly competitive de luxe North Atlantic service, this is especially true. Last week, the French government came to the rescue of the French Line (*BW*—Jul 31). Britain's Royal Mail group is fighting to extricate itself from a maze of financial troubles. With Cunard, the White Star line is maintaining rationalized schedules, maneuvering to maintain British standing on the North Atlantic. Germany's Lloyd-Hapag group is exerting every effort to hold the speed supremacy and passenger record.

### Services Expanded

American shipping has expanded rapidly since the war. Under government financial encouragement, American services have expanded, American speed and comfort criteria have improved. A heavily subsidized merchant marine cannot be a sound economic asset. Governments know this.

If, in the face of these facts it is determined to foster a merchant marine, it must not be abandoned in times of depression.

## Germany and Roumania Make a Profitable Deal

EUROPEAN NEWS BUREAU (*Cable*)—More foreign trade is likely to flow between Germany and Roumania as a result of a trade treaty signed last week.

Specifically proposed: Germany cuts the duty on fodder barley 50%, on corn 60%. Roumania reduces the tariff on 200 manufactured items.

Benefits: Germany imports through a grain monopoly. Roumania has important surpluses of fodder and corn. Last year Germany imported 1,350,000 tons of fodder barley, 51% came from Roumania. Germany's import monopoly machinery can, comparatively simply, turn orders for barley and corn to Roumania, if Roumania reciprocates the economic courtesy. This is likely. Of the 200 items on the reduced-tariff list, the majority of them are German specialties.

Berlin and Bucharest evidently are playing shrewd diplomacy in formulating a trade treaty with indirect preferential treatment which does not actually collide with the most-favored-nation clause in other trade agreements.

## Construct First House With Welded Steel Frame

A DWELLING house with a welded steel frame is being erected in a Cleveland suburb on the edge of the Van Sweringens' real estate development. Cleveland has 2 or 3 office buildings in which welds displaced rivets in the chassis, and the method is now being applied to residential construction for the first time, it is believed, in this country. The house is of brick on tile.

Carnegie Steel, which is furnishing the material for the frame, arranged for preliminary tests with the Lincoln Electric Co., which provided the welding equipment. The bottom sill is a 3-inch I-beam and the studs are 3-inch channels spaced 3 to 6 feet apart. The floors are of wood on wooden sleepers resting on 6-inch I-beams and the ceilings of the basement and first floor are of poured concrete suspended from the flanges of the beams.

The frame contract was let on bids competitive between lumber and welded steel. Steel frames in dwellings hitherto have been costing somewhat more than wooden frames, but the substitution of welds for bolts and a certain amount of redesigning of the frame has brought the cost on the Cleveland job to a parity. Some saving of time is also claimed.



International News

FOR JAPANESE—The Postal Telegraph Co. opens the first Japanese telegraph office; it serves the 65,000 Japanese in Los Angeles. The English alphabet is used, but ideograph messages can be sent by telephoto

## Cigarette Boost Helps Gross; May Improve Merchandising

CONFIDENT that sounder merchandising practices will prevail if retail prices on cigarettes fall in a price range, less tempting to price cutters, the "Big Four" manufacturers of popular brands of cigarettes have effected the long-anticipated increase in wholesale prices.

R. J. Reynolds led the procession, announced an advance of 45¢ a 1,000 to \$6.85. Those rapidly following suit were American Tobacco Co. on Lucky Strike, Liggett & Myers Co. on Chesterfield, P. Lorillard Co. on Old Gold

### Long Price War

The old \$6.40 a 1,000 price has prevailed since 1922 excepting from April, 1928, to October, 1929, when it was cut to \$6 a 1,000. At such a wholesale price, the dealer after taking cash discounts, could get his cost back when meeting competition with a price of 2 packs for 25¢. He had several good reasons for doing so. The "quarter" is popular and promotes speed in selling. Most chain stores with the advantage of an additional 10% quantity discount as direct buyers, were selling cigarettes at 2 for 25¢. Smokers coming to a store for their cigarettes were apt to buy other articles on which a profit could be made.

Thus retailers considered cigarettes worth handling, even in the proverbial "sugar" or no-profit class.

The new wholesale price brings the dealer's cost per pack of 20 to 13.7¢, makes it impossible for him to sell at 2 for 25¢. Retail prices of 15¢ a pack of 20 will mean a small gross profit, not enough to cover overhead but at least sufficiently attractive to stimulate closer attention to cigarette customers. The increase is considered too slight to affect consumption.

Some retailers are temporarily giving customers the benefit of old prices on stocks on hand. The Great Atlantic & Pacific Tea Co. advertises the impending advance in prices to stimulate current buying at 2 for 25¢, or \$1.25 a carton of 200 cigarettes. Chains in general are expected to go to the 15¢ a pack price, possibly make a concession by offering 2 packs for 29¢.

### Tins Same as Packs

Prices on cigarettes in "tins" of 50 are now on the same basis as on packs of 20, the special offer providing for 10% additional packages without extra cost having also been withdrawn.

While this general price increase in

itself seems insignificant in connection with a smoker's current purchases, it actually is of tremendous significance to all cigarette manufacturers, wholesalers, retailers.

If cigarette consumption for the remainder of 1931 should merely equal that of 1930, the price increase will bring manufacturers over \$26 millions additional dollar volume on equal tonnage. Wholesalers will find their sales volume correspondingly increased. Retailers will actually make cigarette sales pay part of their overhead, although, as yet, little net profit. The public will pay over \$70 millions more for its cigarettes.

## Segal Replaces Gillette In United Cigar Stores

THE breaking off of relations between Gillette Safety Razor Co. and United Cigar Stores Co. (BW—Jun 3 '31) has furnished an opportunity for Segal Lock and Hardware Co. to tie up one of the country's largest single distributors of safety razors and blades.

Long-term contracts just closed provide for the sale of Segal safety razors and blades in stores and agencies of United Cigar Stores Co. Minimum quantities mounting into 7 figures are to be purchased annually by United and sold at retail only. Whelan Drug stores, owned by United will also handle them.

Retail selling prices in United stores will probably be the same as for retailers who buy Segal products through regular wholesale channels. Special selling campaigns are planned.

### Still Selling Grooved Gillette

At present, United Cigar Stores is still offering the 1930 model Gillette razor with the lengthwise groove and ridge design on blade-holder and guard. The new 1931 model "Good Will" Gillette having the newly patented variable lug (BW—Apr 15 '31) is offered in Liggett Drug Stores, and other retail outlets, meeting with unusual success.

Segal is a comparative newcomer in the razor field. Previously manufacturing only locks and hardware, the company commenced manufacture of razor blades by a special process in 1929. These blades fitted the old Gillette. Recently a Segal razor has been put on the market, embodying certain patented features and a blade design providing exceptional flexibility. Meanwhile, manufacture of blades for other razors is being continued. Production beginning with April 20, 1931, was reported at 5,000 razors, 200,000 blades daily.

# Chain Store Survey Shows It's Buying Power That Counts

**Units of small groups have highest sales average;  
big ones, with most expenses, make most profit**

INDEPENDENT merchants will gain much new knowledge but little comfort from the results of a study of expenses and profits in the chain grocery business reported by the Graduate School of Business Administration of Harvard University.

Profit and loss statements covering 1929 operations were obtained from 100 grocery chains with over 33,000 stores, and sales of \$1,900 millions. On this vast volume of business the group averaged 80.6% paid for products, 18.2% for operating expenses, retained but 1.2% as profit.

## How Costs Split Up

Payroll and rent accounted for  $\frac{1}{3}$  of all operating expenses which averaged:

|                           |        |
|---------------------------|--------|
| Payroll .....             | 10.30% |
| Rent .....                | 2.30   |
| Depreciation .....        | 0.60   |
| Supplies .....            | 0.75   |
| Light, heat, power .....  | 0.45   |
| Ice & refrigeration ..... | 0.30   |
| Repairs .....             | 0.15   |
| Insurance .....           | 0.20   |
| Taxes .....               | 0.15   |
| Advertising .....         | 0.75   |
| Misc. ....                | 1.50   |
| Interest .....            | 0.75   |

18.20%

A further breakdown shows interesting variations in performance for specific groups, demonstrates that increased size in most cases brings increased profits.

Although expenses of chains with 50 or more stores were higher by 1.4% of net sales than those of small chains with less than 10 units, higher gross margins enabled the former group to show double the profit ratio. Similarly, a small group of 21 chains, each with more than 500 stores with an operating expense of 18.5% earned 2.8% on net sales or  $2\frac{1}{2}$  times average.

## Bigger Chains, Bigger Gross

That increased buying power results in increased gross margin is clearly shown. Chains doing less than \$750,000 annually averaged 18.5% gross margin against 20.5% for those doing over \$5 millions.

Self-service stores of the Piggly-Wiggly type showed expenses lower by almost 3% of net sales, chiefly ac-

counted for by savings in payroll. They also had higher average sales per store and more rapid turnover of stock, but profits were less favorable, gross margin being 4% below average.

Turnover at the rate of 12 times or more yearly produced the lowest expense percentage, 17.2%; when it slowed down to less than 8 times, expenses increased to 19.3%. Small chains reported the highest rate of turnover, 12 times, while chains of 50 or more units had an average turnover of only 9.1.

Contrary to general opinion, chains operating in a small territory did not reflect the presumed economies of such concentration. Expenses of those having all units within a radius of 25 miles were 2.5% of sales higher than chains with less than 60% of units within that radius. Chains with headquarters in cities of less than 50,000 population operated at about 4% of net sales less

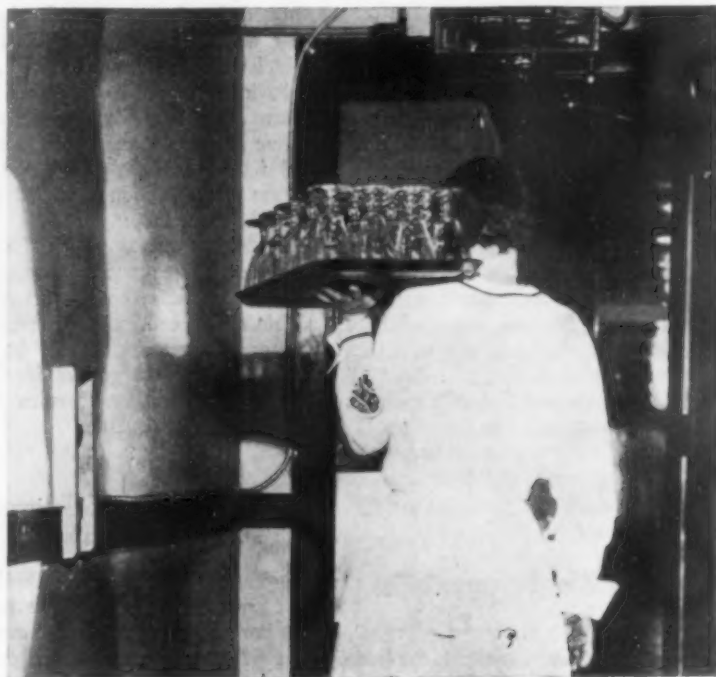
than those in cities of 1 million or more population, but net profits were most favorable where headquarters were in cities of over 250,000 but less than 1 million population. The survey comments that the larger companies are usually situated in the larger cities.

Grouped according to location, chains operating in 17 western states showed the lowest operating expense, 15.5% of net sales, but also had the lowest margin, 17.1%. North Atlantic states, embracing the New England states, New York, New Jersey, Pennsylvania and Delaware, had the highest operating expense, 20%, and highest margin 21.3%, due partially to the fact that in this area are located the largest chains doing the greatest percentage of volume.

## Sales High in West

In the western area average sales per store, \$64,000, were over 50% higher than the \$42,000 average in the North Atlantic states. For the entire group, sales per store averaged \$48,500. Highest sales per store, \$67,500, were recorded by chains with less than 10 units—which generally means combination stores selling meats, vegetables, groceries, often under the management of the principal owner. Chains having 50 or more units showed sales averaging \$43,500 per store.

Records of 7 chains with 2,810



SHADOW DOOR—Waitresses in the Stevens Hotel, Chicago, no longer kick the doors; in passing the electric eye, their shadows interrupt the beam, actuating a mechanism which opens the door





Keystone

**GASOLINE DEPARTMENT STORE**—This service station near Atlantic City plays no favorites; it boasts 36 pumps

stores, \$113 million sales, were tabulated to set up an attainable standard of performance as a mark for chain executives to shoot at. These with a gross margin of but 18.5% produced a net profit of 2.5%, showed savings from average of all chains amounting to 1 3/4% in store expense, 0.30% in warehouse expense, 0.45% in buying and administrative expense, while sales per store were \$9,000 higher than average.

Tentatively forecasting that chains will in each unit eventually duplicate the service rendered by the old-style independent grocer or butcher, the report concludes with the "broad generalization" that:

### 3 Stages of Chains

(1) New types of distributive enterprise first gain foothold by means of low price;

(2) In the second stage, they begin to "trade up" the quality of merchandise carried;

(3) In the third stage they compete by offering services.

It adds that chain companies reaching the third stage, unless exceptionally well-managed, will encounter increased costs of doing business, increased fixed investments, a declining rate of return on capital invested.

The study showed that, of the chains operating primarily as combination food stores, 40% were extending credit to their customers, and their cost of doing business was higher than average.

## Tighten Wool Appraisals To Prevent Import Frauds

FOLLOWING allegations that the government has lost revenue from duties on wool imports at certain ports of entry through fraud in overestimating shrinkage plans are being considered

for revising the methods of raw wool appraisal at the ports and tightening customs control over this commodity.

The proposals recommended include: (1) appointment of a special wool administrator to have full charge of wool appraisers; (2) establishment of laboratories for testing wool shrinkage with greater accuracy at Boston, Philadelphia and New York, principal ports of entry; (3) placing of customs agents in Australia, South America and New America and New Zealand.

### Important Underestimates

It is alleged that the "clean content" of wools after scouring, upon which the tariff duty is levied, has been underestimated by importers and, due to faulty administration, these underestimates have not been corrected. As a result, it is further charged, the government has lost millions of dollars in revenue and the domestic producers of wool have not been given the full measure of protection accorded them under the tariff law.

At a recent meeting with the Customs Commissioner in Washington, representatives of wool importers and manufacturers endorsed the proposed plan for stricter control of wool imports. Meanwhile, the charges of fraud are being investigated by Customs Commissioner F. X. A. Eble.

## 10 Reductions, 6 Increases Under Flexible Tariff

THE Tariff Commission declined last week to recommend any change in duty on 3 important controversial items—pig iron, hides and cheese—but singled out 6 other articles for rate adjustments in which President Hoover concurred.

Acting upon the Commission's recommendation, the President proclaimed the

maximum increase of 50% in duties on dried eggs, hemp, cordage and bicycle bells; slight reductions in duty on bentwood furniture, packaged olive oil and pipe organs.

To date the administration of the flexible tariff by the reorganized Commission has resulted in 10 reductions and 6 increases in duties. In 9 cases the Commission has recommended no change and in 3 cases President has declined to accept the Commission's recommendation.

## Test Shipment of Coal To Twin Cities by Barge

AFTER years of "paper plans" for shipping coal by barge up the Mississippi River to the Twin Cities, an actual test on a commercial scale is now to be made.

The O'Gara Coal Co. of Chicago, one of the larger operators in the Southern Illinois fields, has arranged to ship 35,000 to 40,000 tons of steam coal from East St. Louis to St. Paul and Minneapolis before the end of the season. If the test is successful, 100,000 tons more will be shipped in 1932. The Federal Barge line will be utilized for transportation, and the St. Paul municipal river terminal will be the distributing base.

First shipments are scheduled to be made about August 1. A saving of about 50¢ a ton over the all-rail cost of getting coal to the Twin Cities from Southern Illinois fields is anticipated.

Scrap iron and some Minnesota iron ore for mixing purposes at St. Louis smelters will constitute the bulk of the down-river load for the coal barges.

Another coal-by-barge project is being developed in Minneapolis, but has not yet reached the operating stage.



# Quest for Individuality Urges Radical Change in Car Design

**Tear-drop bodies, feather-weight construction, wheels without axles, steam cooling discussed**

FORMAL and informal talk at the annual meeting of the Society of Automotive Engineers at White Sulphur Springs last week, indicates that radical changes in automobile design, particularly in chassis and bodies, are being seriously considered by many manufacturers and will be offered in new models before the year is over.

Great interest lies in streamlining which, carried to the ultimate in the tear-drop body, would permit 50% reduction in the power required for a given speed, according to Walter T. Fishleigh, consulting engineer formerly with Ford Motor Co. Contributing to better streamlining, engines mounted in the rear would also offer other advantages which are being given close attention. It is doubtful if either of these features will be offered this season but work being done is assurance that before long some manufacturer will offer a rear-engined, tear-drop car to his public.

Cars without axles but having wheels on lever arms or otherwise supported to give them independent springing without reaction of one wheel upon another is another feature now under development. While this type of construction lends itself particularly well to a rear-engined design it would be quite as suitable for conventional cars.

## Free Wheeling Popular

Free-wheeling is popular but many engineers still refuse to accept it. A new type of free-wheeling, suitable for original equipment or for replacement, soon will be announced by one of the largest parts makers for application to Fords and Chevrolets. It involves a vacuum-actuated clutch which is automatically thrown out when pressure is removed from the accelerator pedal. This equipment will make manipulation of the clutch pedal unnecessary under usual driving conditions but a slight shift of the hand throttle cuts out the free-wheeling device and permits nor-

mal foot operation of the clutch. Several companies are about to adopt vacuum-operated brakes similar to those used on buses and large trucks.

Multi-cylinder cars continue to gain in favor and there are authentic reports that there will be 2 new 12-cylinder cars and 2 16-cylinder models offered this year by concerns not now building this type of equipment. One of the new 16-cylinder models will be made almost entirely from aluminum alloys—engine, frame, axles, etc.—and will weigh nearly a ton less than similar 16-cylinder cars now on the market.

The possibility of using steam heat to provide winter driving comfort is directing more attention toward steam cooling of engines in place of water cooling. Perfected steam cooling equipment has been available for some time but has not attracted the active interest of any car maker. The current tendency toward giving automobiles more individuality in order to free them from too direct competition may lead to the adoption of many other devices and engineering features which are well known to the industry.

## Await Diesel Cars In Fiat's 1932 Line

EUROPEAN NEWS BUREAU—Fiat, the Ford of Italy, is reported to have ready for 1932 presentation a complete line of Diesel-engined cars and trucks to replace its present line of vehicles. This is interpreted as a drastic move to increase motor vehicle use in Italy and other European countries where the high price of gasoline has been a chief factor in retarding automobile sales. Diesel engines burn grades of oil much lower-priced than gasoline.

While Diesel developments for automotive equipment have not progressed very rapidly in the United States, where cheap gasoline removes one of its important sales arguments, much experimentation with Diesel engines has taken place in Europe. Diesels have been applied successfully to motor trucks and buses but, for passenger car work, the problem of reducing engine weight within reasonable limits has been difficult. Fiat engineers may have solved this problem; that it has always been solvable is evidenced by the successful development of an aviation Diesel engine by Packard; a field in which engine weight per horsepower is of much greater importance than for land vehicles.



**MEAT PARADE**—Chicago bore witness to its interest in meat with a parade sponsored by the National Live Stock and Meat Board. Herds of sheep and cattle were conveyed by cops and cowboys

# Ford Protests Detroit's Bill For Relief of "Late Employees"

THE vast interests of Henry Ford make him an easy target for blame as well as for praise. His latest denunciation concerns Detroit's unemployment relief. It has been charged semi-officially that Detroit taxpayers are supporting thousands of unemployed Ford workers; that, while the Ford contributions to the city's community fund are large, they represent only a fraction of what it costs the city to take care of men released from Ford shops.

## A Red Herring

In reply Ford officials charge that the company is being used as a red herring drawn across the trail of welfare negligence; demand a grand jury investigation of alleged graft and general misconduct in the affairs of the welfare department; offer evidence that most persons claiming late employment with Ford have too vivid imaginations.

Of 264 men picked at random from a Detroit public welfare list who claimed to be former Ford employees, 226 were found to have been at work continuously and drawing from \$90 to \$227 a month. From another list of 3,960 men furnished by the Welfare Department supposed to consist of former Ford employees, it was determined that 1,315 never had worked for the company, 400 were still working there when the list was received, 360 of them had left their jobs of their own accord, 239 had been

discharged for violation of company rules. Of the 1,600 remaining, 1,500 had been taken on by Ford during 1930 and 1931 chiefly as a temporary relief measure and at the request of various relief agencies. Ford officials cite these figures as evidence that welfare work is not being conducted properly.

However, Detroit has asked that Ford Motor Co. assume the welfare care of 3,200 heads of families, whom city officials call former Ford employees and whose support is costing the city \$80,000 a month. Edsel Ford remarks that since his company has employed over 300,000 persons in the last 7 years a large proportion of Detroit's working male population are "former Ford employees"; he fears the term has been stretched beyond reason in many cases.

## Name 16 Leaders

Latest attempt to organize Detroit relief work is the naming of 16 business leaders to take charge of welfare in 16 districts into which the city has been divided. Their chief aim will be to keep relief on a truly emergency basis and to find ways of relieving taxpayers from their present onerous burden.

There are still nearly 100,000 persons out of work in Detroit, compared with 175,000 at the peak of the automobile slump. The city has supported from 30,000 to 40,000 families a month at a cost of from \$1½ to \$2 millions;

has run up a \$46-millions deficit on this relief work.

The large part which the Ford company plays in Detroit's industrial life is revealed by 1930 figures showing that last year it spent \$210 millions with 450 Detroit firms for materials, supplies, construction, and miscellaneous services, paid \$159 millions in salaries and wages, and an extra \$1½ millions in interest on \$19 millions deposited by employees as savings in the Ford investment fund.

## Clothing Workers Collect Unemployment Insurance

CHECKS aggregating \$125,000 have been distributed to 7,000 Rochester clothing workers as the third instalment of the unemployment insurance plan arranged under an agreement between the Rochester Clothiers Exchange and Amalgamated Clothing Workers of America. This insurance plan, first adopted in the Chicago clothing industry in 1923 (*BIW—Apr 2 '30*), was extended to New York and Rochester in 1928. In Rochester, first payment was made in May, 1930; second in November, each totalling over \$125,000.

In Rochester and New York contributions to the fund are made only by employers who contribute 1½% of their payroll. The agreements provided that workers should contribute an equal amount as they do in Chicago—where employers contribute 3%, however—but this provision has never been enforced by Rochester and New York.



Wide World

FORD FARM—Henry Ford believes that the solution of the farm problem lies in the development of farm products for industrial use. Here Ford workers—at regular rates—are laying drains on the 3,000 acre agricultural laboratory

# THIS NEW WATER COOLER

IS AS MODERN AS IT LOOKS

We would like to have you stop for a minute and look at the Frigidaire Water Cooler pictured here. Notice its graceful lines and symmetrical proportions—its beautifully polished fittings. With its modern design and harmonizing bronze finish, this cooler blends into surroundings in *any* office—and in a way that makes it just seem to *belong*.

But the real beauty of the Frigidaire Cooler is in the way it operates. It is powered to meet every demand regardless of weather. It is quiet in starting, quiet when it runs and quiet when it comes to a stop. It cools water quickly and keeps it cool—at “just-right” temperatures for comfort and health. And it is built to deliver this type of performance month after month and year after year—all for just a few cents a day.

This new advanced Frigidaire Water Cooler is made in models for cooling bottled water or city water. Either type can be furnished with bubblers, faucets or glass fillers. All are equipped with a completely enclosed, automatic refrigerating unit that carries a 3-year guarantee.

We suggest that you ask the Frigidaire representative to call with complete information. Why not do it now? Frigidaire Corporation, Subsidiary of General Motors Corporation, Dayton, Ohio.



Note the locked compartment for sandwiches and beverages. This feature is standard on some of the most popular models.



ADVANCED  
REFRIGERATION

**FRIGIDAIRE**  
• • WATER COOLERS • •

FRIGIDAIRE CORPORATION, DAYTON, OHIO  
Also Electric Refrigerators for Homes . . . Heavy-Duty Refrigerating  
Equipment for Stores and Public Institutions . . . Ice Cream Cabinets . . .  
Milk Cooling Equipment . . . Room Coolers





**BOTTLE EXCHANGE**—In Los Angeles, all the stray milk bottles are rounded up, washed, sorted, resold to the dairies for half price. Working in the open air, with simple equipment, the company makes money

## Soap Industry Reports Success In Employment Stabilization

THE soap industry has so successfully adopted employment stabilization measures that out of 49 firms reporting to Roscoe C. Edlund, manager of the Association of Soap & Glycerine Producers, Inc., only 4 show substantial decreases in employment compared with 1929, while 13 concerns have increased the number on their payrolls.

Mr. Edlund points out that stabilization has been brought about by planning; that while consumer demand for soap is fairly regular throughout the year, dealer purchases were quite irregular. As a result of scheduled production and continued aggressive sales promotion only 8 of the 49 companies report a decrease in volume of business this year while 14 are definitely above normal.

### Use Same Methods

Nearly all plants are using the common methods of spreading work such as short time, elimination of overtime, expansion, repair and improvement programs, manufacture for stock and development of new products.

Besides these emergency measures,

used by 30 plants, 5 others have gone the full way toward ultimate stabilization by guaranteeing employment, thus assuming full responsibility for providing jobs for their permanent employees. Best known of these plans is that of Procter & Gamble Co., under which the number of employees has not varied 2% from 1929 figures, according to R. R. Deupree, president.

### Reduce Working Time

Another comprehensive stabilization plan is used by Los Angeles Soap Co., which has given steady employment to virtually everyone on its payroll for 52 weeks in the year. To aid in this the factory working-day has been reduced 1 hour with no reduction in the weekly wage, thus becoming a definite increase in the daily wage. In addition, a substantial portion of profits are distributed to workers each year, in proportion to their years of service and regular compensation. Average amount exceeds 2 months' regular pay, or nearly 17% of the annual earnings.

Another success for the 5-day week is told in the financial statement of

E. R. Squibb & Sons which shows an earned surplus of over \$500,000 despite one of the most difficult years in the company's history and following the adoption in June, 1930, of a 5-day week for all employees with no reduction in wages. Nearly all of the 9% cut in working time was made up by increased efficiency of the 5-day week. An employment guarantee for all workers is another important item in the company policy.

## Hosiery Manufacturers Plan Wage Scale Survey

NATIONAL Association of Hosiery and Underwear Manufacturers has made tentative plans for a nationwide survey of wage scales prevailing in the knitting industry. It will include hosiery and underwear mills; will study and compare scales paid in different districts; will compare knitting wages with those in other industries; will provide a background upon which a definite wage plan may be formed.

Of considerable help in the survey should be Dr. George W. Taylor's recently published book, "The Full Fashioned Hosiery Worker; His Changing Economic Status."

Dr. Taylor takes sharp issue with the view that when sales declines call for economy of operation, labor should invariably bear the brunt in wage cuts; suggests that "manufacturers may deserve to make no profit if their plants are too inefficiently operated, and it is unsound to expect wage-rate adjustments of such a degree to enable all plants to operate at a profit."

## End of Strike Points Way To Peace in Pennsylvania

OBSERVERS who look to better organization of the bituminous coal industry as an important factor in the restoration of its economic stability (*BW*—Jul 1'31), are encouraged by the termination of strikes in mines of Pittsburgh Terminal Coal Co. by an agreement with United Mine Workers of America.

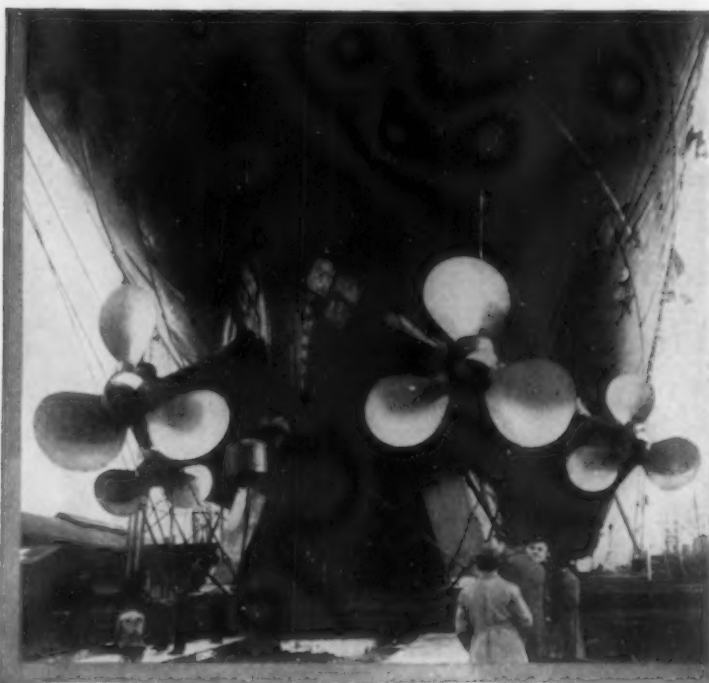
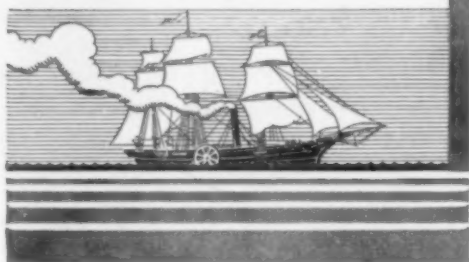
The union receives an 8-hour day under the agreement; small increase in wages, some control over operations. The company hopes to get union co-operation in the reorganization of its operations to change its 4-year deficit record into a profit. The agreement covers a period of 1 year; affects 2,500.

Pittsburgh Terminal is the second largest operator in Pennsylvania and



## THE PROPELLER

was responsible  
for the modern  
steamship



*Ethyl* is responsible  
for better cars  
and **BETTER GASOLINE**

IN 1819, the side wheeler *Savannah* crossed the Atlantic under steam power, and the world said the modern age of travel had been achieved. But in John Ericsson's mind there remained the vision of improvement—a vision that became a reality after the introduction of his screw propeller.

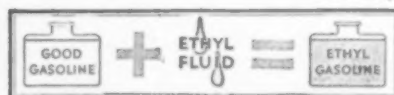
In 1920 many engineers said, "Automotive progress has reached its peak. Greater efficiency is possible only with higher compression, and gasoline can't stand the pressure."

Then Ethyl fluid was introduced. Added to good gasoline, this ingredient produced a motor fuel that would stand higher pressures without "knocking." As wide distribution of Ethyl Gasoline made higher compression engines possible, automobile manufacturers designed engines to take advantage of this improved motor fuel. These modern power plants

offer increased power without increased weight; increased acceleration and, at the same time, decreased heat waste.

Ethyl Gasoline is necessary to develop the better performance for which these high compression engines were designed. It brings out the maximum power of *any* engine.

Put Ethyl to test in your fleet and watch it *speed* up deliveries, *cut* down layoff time and *reduce* maintenance costs. Ethyl Gasoline Corporation, Chrysler Building, New York City.



The active ingredient used in Ethyl fluid is lead

# ETHYL GASOLINE

union officials hope its example will be followed by others. Its mines have been non-union since 1927, when Pennsylvania was virtually lost to the United Mine Workers.

With the retreat of United Mine Workers, the National Miners Union entered the field and its campaign,

based upon communistic aims and purposes, perhaps has helped convince operators that the U.M.W., affiliated with the American Federation of Labor, is a pretty conservative organization after all and might be a welcome change after 3 years' experience with communists.

There was little argument. Sponsored shorts are to be abandoned. It hasn't been announced whether or not the dozen or more contracts which were to run throughout the year are to be abandoned at once or fulfilled. Certainly, no new contracts are going to be made. Advertising films may return in the future, but for the present they are a dead issue.

There are those in the business of running independent theaters who refuse to give all the credit, or place all the blame, for "ending" the sponsored advertising films on the press. They deny that they were "glad" to accept sponsored shorts in their regular programs. Some of them thought the return was too small. Others feared the advertising would become too blatant. A fairly good number were certain the plan would eventually work to the disadvantage of the big producers from whom they rented their programs. Though to many of them the end was inevitable, it is welcomed at this early stage of the game.

## Newspapers Put an End To Advertising Movies

THE movies are being saved for the public!

Advertising shorts are no longer going to be "rammed down the throats of unsuspecting audiences." They are being abandoned before they are a year old. "Producers—and advertisers—must be fair to their audience."

Just as there was no fanfare by producers when the plan was first announced (*BW*—Jul 30 '30) so there is no statement from them now. The excitement first and last comes from elsewhere.

### Public Didn't Kick

People "on the inside" know the reason advertising shorts are being so abruptly abandoned. It is not because the public—that is, the audiences who saw them—did not like them. On the contrary, most people expressed approval. Not of the idea, perhaps, but in general of the productions. They were good entertainment. There were stars. There was plot. Advertising in most of the dozen or more released "sponsored shorts" was kept at a minimum. Of course, it might have become a nuisance, just as it has on the radio.

But, so far, cautious producers had maintained audience goodwill.

The newspapers—and the popular press—and not the public, have forced producers to abandon the plan. They saw the advantage of guaranteed circulation which the theaters were able to offer. It was a threat to them, might become as serious as the radio. The time to quash the idea, if ever it was to be done, was before it got well under way. So they talked to advertising agencies and to motion picture producers. Their bargain was simple.

During the 20 or more years the movies have been developing, the press generously has given of its columns to discuss the films. It has paid good salaries to popularly-acclaimed movie editors. It has played up to the taste of the public.

Theater men realize the value of this free publicity. It often draws better than their own advertising in the newspapers. If theater men were going to ignore this courtesy, to cut in on the newspapers' advertising field, publishers would be forced to cut out the movie chatter from their columns.

### France May Open Door To American Talkies

OF all the foreign markets for American films, only Great Britain buys more than France. Last week, rumors leaked out in Paris that France had removed the quota on American films, had flung open the entire domestic field to American talkies. Hollywood referred to the move in the same breath with the probable debt moratorium as "bullish factors."

Paris is reluctant to discuss the matter. So are American film interests.

*The Business Week's* Paris corre-



**SALES ON WHEELS**—When Armstrong Cork introduced "Temlock," its new fibreboard insulation, this midget movie theater was rolled direct to the lumber yards and dealers. Presentations, complete with sound, were staged for audiences of one to six; guarded from interruptions, prospects listened, talkies made sales

spondent reveals the reason. Americans in Paris who have been negotiating the deal have dealt directly with the French Minister of Art. It is from him they have tentatively won approval of the plan to admit American films freely. If the present Cabinet stands in France, there is little doubt that the plan will carry. But if more momentous issues cause a fall of the Cabinet, all of the work of Motion Picture Producers, the Will Hays organization, might be undone. The motion picture industry expects complete government approval soon. The law is set to become effective Sept. 1, when the present film agreement terminates.

#### Franco-German Accord

A second development which the new law is expected to bring into being is the promise that German dialogue films made in France by American film interests will be officially recognized as French products and will benefit under the pending Franco-German film accord. Paramount is now producing just outside Paris, made films in 12 languages last year, is ready to expand if the new laws warrant it.

Until the new ruling goes into effect, American films enter France on a strict quota basis, 7 American films crossing to France for each French film admitted at New York. Last year 237 American features were accepted in Paris. They represented 49.6% of all the feature films—including domestic production and imports from other countries—passed by the French board of censors. Evidently the French demand for pictures cannot be satisfied at home, even with French production speeded and expanded.

#### French Theater Boom

At the beginning of this year, France had only 365 theaters wired for talking pictures, while Britain had 2,163, Germany 1,801, and Sweden 411. What is particularly encouraging in France is that there was a boom in theater construction last year and the wiring of established houses was carried on extensively during the latter part of the year. Popular demand for good sound features is growing. In Paris, 7 theaters are running English-language pictures exclusively. Outside Paris, the more elaborate American-produced features of the musical revue type which depend little on dialogue have made a decided success.

Because French takings from Hollywood were less last year, American producers were discouraged. Now a potential new market one-third as large as the American is opened.

## WHAT ARE THE PRODUCTS OF GENERAL FOODS?



HERE IS the story of a family of food products . . . how 20 of your favorite foods rose from humble beginnings to an honor-place on the tables of America's millions.

To read this story is to know why General Foods, maker of these 20 nationally advertised foods and more than 60 others, has achieved its position in the world's largest business. It is to know what the 44,500 stockholders of General Foods already know—that the sales and earnings of this company have that stability which is aided by wide diversification of products in a fundamental industry.

We shall be glad to send this booklet *free* upon request to any interested person.

## GENERAL FOODS

DEPARTMENT 5-L 250 PARK AVENUE NEW YORK CITY

*Maxwell House Coffee, Log Cabin Syrup, Jell-O, Certo, Post's Bran Flakes, Minute Tapioca, Postum, Hellmann's Mayonnaise Products, Walter Baker's Chocolate and Cocoa, Franklin Baker's Coconut, Calumet Baking Powder, Grape-Nuts, Sanka Coffee, Swans Down Cake Flour, Post Toasties, La France, Satina, Diamond Crystal Salt, Whole Bran.*



# DIAGNOSIS: "Office Acoustics"



The 1930 Report of the Noise Abatement Commission, New York City, says of the effects of noise (on experimental subjects): . . . "there are disturbances by reason of the stress of vibrations in heightened pulse rate, heightened blood pressure, some irregularities in heart rhythm, and, most important of all, in the increase of pressure on the brain itself . . . The undoubted effect of constant noise is disturbance of the blood vessel apparatus and the increase of the degenerative processes in the heart and arteries."

**By blotting up superfluous NOISE—by controlling SOUND—Johns-Manville eases the load on the human machine, contributing to production and profits.**

"OFFICE ACOUSTICS" is not listed in the medical dictionaries.

Yet *excessive noise* is a contributing factor in diseases which increasingly menace business men and women. Noise of modern office machines. Noise of modern traffic. Modern, up-to-date noise.

It strikes upon delicate membranes, travels along delicate nerves, raps its tattoo on delicate brain cells. We "get used to it" . . . Yet by laboratory test, a stenographer uses 19% more energy in doing identical work in a moderately noisy office than in a moderately quiet one.

We "get used to it"—yet men go back to their offices to do work in the quiet of the night which they have been unable to do effectively during the day.

We "get used to it"—yet the degenerative diseases of heart and arteries, to which noise contributes, are an ever-growing menace . . . the despair of physicians.

JOHNS-MANVILLE pioneered and has carried to highest development "acoustical treatment"—materials which are applied to ceilings, sometimes walls, and which absorb noise as a blotter absorbs ink.

The material used depends on the problem. For instance, J-M Sanacoustic Tile absorbs 82% of sound. J-M Nashkote absorbs 67%. J-M Rockoustile absorbs 62%.

With delicate instruments for measuring the degree of noise, with exact scientific data on corrective treatment, the cure of a noise condition becomes as

definite an engineering problem as the design of a bridge. For 18 years Johns-Manville Acoustical Engineers have practiced this science.

In offices, factories, stores, restaurants, hospitals, J-M Acoustical Materials are used to bring noise within limits required for comfort . . . In churches, theatres, schools and other places of assembly, they are used to guide *wanted* sounds to the ears of listeners, and quell reverberation . . . They are applied with a minimum of litter or disturbance.

Far from disfiguring the appearance of an interior, J-M Acoustical Materials become a part of the decorative scheme . . . A survey of your acoustical problem brings no obligation.

Johns-Manville  
ON

Field work  
"acoustimete"  
engineers co-  
supplements  
research for  
proved met  
materials.

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"Rike-K  
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Jo

# "Acoustics," advanced stage



Field work with the "acoustimeter" by J-M engineers constantly supplements laboratory research for new, improved methods and materials.



The acoustical treatment (J-M Nashkote) on the ceiling of St. Paul's Memorial Reformed Church, Reading, Pa., corrected acoustical faults which had annoyed worshippers since the church was built in 1873.



## Overnight: Errors reduced 24.5% in this department store

THE Rike-Kumler Company, established 1853, Dayton, Ohio, is one of the great department stores of the Middle West. The efficiency of its general office is indicated by the presence of 72 labor-saving machines of 12 types. These, operated within a space of 5000

square feet, set up a nerve-racking tumult.

J-M Acoustical Engineers were called in, measured the noise, were commissioned to bring quiet. Working at night to avoid interference with business, they covered the ceiling with the noise-quieting material called J-M Sanacoustic Tile.

Measurements made during the height of the business day, after the job was complete, showed the noise to have been reduced 83%. And, of more tangible importance, the check of errors which this Company

faithfully kept, before and after the installation, showed a reduction of 24.5%.

Errors in department store accounting cost money—a little money in making corrections, a great deal of money in lost goodwill. As a consequence, Rike-Kumler executives are delighted not only with the nerve-easing quiet of their general offices, but with the dollars which this quiet represents.

Wrote C. A. Garties, Secretary and Treasurer, after the completion of the work: "While I have no technical knowledge of the acoustical treatment, I do know that the improvement in our office far exceeded what we had hoped."



"Rike-Kumler executives are delighted not only with the nerve-easing quiet... but with the dollars which this quiet represents."



### Send for this 32-page book

"SOLVING THE GROWING PROBLEM OF NOISE" describes the effect of noise on human beings—and practical methods of meeting the problem. It is profusely illustrated with interesting examples of work done. Send for it—to Johns-Manville, Madison Avenue and 41st Street, New York City... There is no charge.

# Johns-Manville



Controls

HEAT, COLD, SOUND

Protects against

FIRE AND WEATHER

# The Personal Trust Company Gets In on the Top Floor

**Figuratively and actually, this new type of bank  
is far above the heads of the Wall Street crowd**

FASHIONS in living and in doing things in New York town change every day, under imperious necessity, under inexhaustible ingenuity, the double reign of Manhattan life. Nowadays even the unconscionably rich live upstairs, in apartments, the higher the better. But the banks came last. That is because they have got to be conservative in everything, because they store other people's money and novelty would be unseemly in such trusted ones. So that is why it was news when one of them, a new and a novel one, opened up shop sky-high.

To drop in and do business with the new Fiduciary Trust Co., Pierre Jay, chairman, at 1 Wall Street, you must take the immaculate elevator to the 30th floor.

## **Baker Moved**

Across the street the First National Bank once, many, many years ago moved upstairs to the second floor, installing some badly angled stairs, slippery in winter's ice. But that was only because the late, great George Fisher Baker hated to be stared at through the window of his banking parlor, once he became a famous man; also, a little, because he could get fancy rents from the soda-water counter, the cigar store, the haberdashery, and the jeweler's shop on one of the most valuable of money-spending corners in the world.

Mr. Jay has started a specialized kind of business, one that has never been done here in exactly his way. This will be an extremely personal, and confidential, kind of banking. It is no place for the scurrying crowd. In the jargon of the Street, his institution will do a personal trust business, not a corporate trust business. And still in the vernacular, it will have no securities for sale.

## **"People of Means"**

The Fiduciary Trust is addressed "to men and women of means." Which is not snobbery, but business necessity. There are 3 main points to its policy. They are:

(1) Personal trust work, living trusts and estates, and the investment of funds for individuals and institu-

tions; no corporate trust business; no commercial banking; no merchandising of securities, either directly or indirectly. Full realization of the personal relationship between trustee and client which is the ideal of old, still exemplified in the British solicitor, exemplified first in Philadelphia, then here, in the original trust companies, before they were banks.

## **Root on Board**

(2) Continuity of independence and policy in so far as it is possible to guarantee it by charter device. Dead men may still want their wills executed by the executors chosen when they were still alive. Consolidations, mergers, are no respecters of the dead, even the wealthy dead. One might leave one's fortune with a lifelong banking friend and one's children might find themselves in a chain-store banking trust, numbers in a catalogued file. The details of the device to prevent control ever passing away and out of the little group of men who have got up Fiduciary are many and hard to grasp; but Root, Clark & Buckner, attorneys, must have been satisfied with their updrawing of them because 2 of their number remained on the board of directors. The lawyer son of solon Elihu Root is one of them. Here is at last a bank you can't buy.

## **Investment Supervision**

(3) Continuous investment supervision will be supported by outside research. The investment counsel firm of Scudder, Stevens & Clark, since 1919 practitioners of this newest of consulting professions, will assist the bank in doing the picking and choosing. Furthermore, Theodore T. Scudder and F. Haven Clark are on the board. Perhaps, say slightly jealous trust companies who have hitherto been enjoying the trade of the many rich custody accounts which this firm influenced individuals to maintain, these gentlemen have just arranged, under the auspicious aegis of Pierre Jay, former chairman of the Federal Reserve Bank of New York, to start their own valuable little show. But that is a little way that the avid Street has of gossiping. The facts are that the controlling

stock of the company is owned by about 35 individuals with Scudder, Stevens & Clark having only a minority interest.

Fiduciary is as odd and new physically as it is morally and geographically. For banks are all dressed up in architecture and sculpture and the prison-ware of grills and cages and bars and barred windows. But this bank is just an unarmed flat—a middle-sized flat. There is one large drawing-room as you go in. On the smallish table in the middle of it there was, on opening reception day, a vase of roses. The walls have prints, few of them, and terribly good ones, mostly about early New York downtown. There are three or four tiny bed-rooms, a little smaller than the \$4 ones with shower in the Hotel Pennsylvania. They are for Chairman Jay, President MacCormack, and whoever comes next. The dining-room has a lot of desks in rows, two abreast, where junior executives sit studying colored papers out of files. The new-business men have their own crowded quarters at the pantry end of the establishment. In the middle of it all, sort of surrounded by these



*Underwood & Underwood*

**PIERRE JAY**—The amiable chairman of the unique Fiduciary Trust, which caters exclusively to "men and women of means"



arrangements, is an ingenious room which is really collapsible. It folds up and unfolds. It may even be portable! When it is small it is for quiet chats with the men and women of means who will leave their means for Fiduciary to safeguard or fructify. When it is undone, for all the world like a Murphy bed in Chelsea, it is a longish director's room with table enough for 19 professional trustees.

And where is the machinery? Where is the—are the—cage or cages with the tamed penmen inside? They are—name of a name—in the kitchenette! All of this vast financial cooking is done, as if by electricity, in a simple spotless chamber. There are no bars, no barbed wire, no tear gas tanks, no shelves of bombs.

#### A Real Home

This evidently was neither a penitentiary, nor a cathedral, nor a fortress, nor an archeological exposition in copy. It was just a house, perhaps a home. And everybody could smoke and some of them did. If a man had waited around long enough he might possibly have heard somebody laugh. It was certainly no bank.

What a gnashing of T-squares must have gone on in the charming barcellar of the Architectural League in Fortieth Street! A bank without squandered millions in stone, and Griff Coale's muralled ships, and bad portraits of founders, and arty desks, and leathern sleep-inducers, and gadgety arithmetic apparatus!

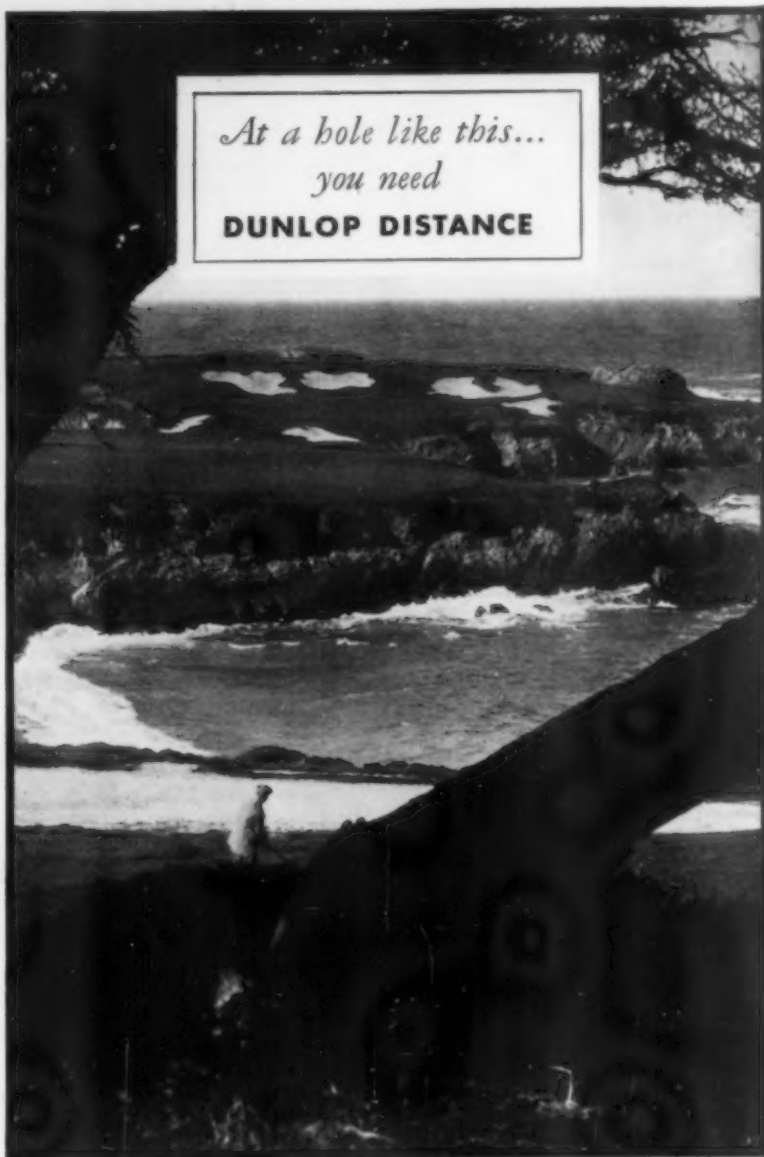
Who will ever do business in this upper-middle-class flat? Evidently, in the opinion of the amiable Mr. Jay, ladies and gentlemen of means. They have their museums at home.

### Industrial Relations Course at Princeton

DURING the week of Sept. 21 a conference course in industrial relations will be conducted at Princeton University by the Industrial Relations Section of the Graduate College. It is intended to provide an intensive course on certain major problems in industrial relations for a selected group of young industrial relations executives.

Besides an imposing list of authoritative speakers on various phases of the subject, provision will be made for informal group conferences under the leadership of experienced executives and the material and research facilities of the Industrial Relations Section will be available for use.

### FAMOUS WATERHOLES OF AMERICA...



16th hole Cypress Pt., Delmonste, California

*At a hole like this...  
you need*  
**DUNLOP DISTANCE**

**H**ERE'S a tough shot from tee topin, right over a greedy arm of the Pacific Ocean. On a hole like this you need an Imported Dunlop for confidence—yes, for *distance*, too. Dunlop leaves the club with a click that makes *you feel the difference*. Always controllable. Always accurate in flight. Always true on the green. Dunlop for distance, every time. The Imported Dunlop comes in mesh or recessed marking, to suit your preference. At your pro's.



**IMPORTED \$1  
DUNLOP**

MESH OR RECESSED MARKING

*These*  
*are the*  
 Men who Buy  
*These*  
*are the*  
 Men who Need



## “BUYING LITERATURE”!

**T**HESE facts regarding purchasing procedure in industry should be of vital interest to every business executive who is striving to maintain sales volume under present economic conditions:

From 1 to 19 men function in the purchase of industrial equipment and supplies.

In 45% of the cases only one selling organization gets in on the average purchase transaction!

In more than 32% of the cases, salesmen do no selling,—they are merely called in and handed the order!

These are facts — based on an exhaustive investigation of the industrial market!

What do these facts signify? .... They indicate that the problem of selling all the people, individually, who influence the purchase of a given product, is beyond the capabilities of the average salesman!

They indicate that in nearly one-half of the cases, salesmen do not “get to first base” in selling their product! .... They indicate that in one-third of the cases, purchases are made purely from printed facts!

They indicate the great and growing importance of the need for well prepared “Buying Literature” on the part of those who desire to sell the industrial market!

USE “BUYING LITERATURE” AS WELL AS “SELLING LITERATURE”

© Copyright 1931, W. B. Conkey Co.



What is "Buying Literature"?... "Buying Literature" is business literature which contains definite technical facts—data as to use, size, weights, dimensions, speeds, stresses, strains — other information which enables your prospect to intelligently buy your product after your "selling literature" has sold him on the need for and the advantages of owning your product. Dollars invested in "Buying Literature" provide greater sales effectiveness than perhaps any other form of sales effort.

Your company — every company selling the industrial market should investigate and study the important role which "Buying Literature" is playing in the business drama of today.

## This Book tells about one Example of Good "Buying Literature"



Send for this new booklet. It tells a detailed story of how a large conveyor manufacturer utilizes the potent power of "Buying Literature". It describes a reference book which has reached a distribution of over 250,000 copies—a book that is being used as a constant reference by individuals in the plants of 15,000 purchasers of conveying equipment.

Your request for this booklet imposes no obligation — and it will give you a complete picture of the assistance the W. B. Conkey Company can render you in the production of your "Buying Literature".



**W • B • CONKEY CO. •**

Printers, Binders and Book Manufacturers

HAMMOND, INDIANA  
SALES OFFICES IN CHICAGO & NEW YORK

## Wide Reading

**REPRESSIBLE ISSUES.** Elmer Davis. *Harper's*, July. A glance toward the 1932 campaign. Platform planks that might be offered by each party, and a suggested super plan for business.

**MR. HOOVER'S SINS OF COMMISSIONS.** Silas Bent. *Scribner's*, July. Do Hoover fact-finding commissions seek facts or argument for special interests?

**THE RISING COST OF AMERICAN GOVERNMENT.** Joseph Byrns. *Current History*, June. From \$1 billion in 1891, to \$10 billions in 1931. Changing trends in expenditures.

**HIDDEN SUBSIDIES.** Fred Wesley Sargent. *World's Work*, July. The railroads are attacked by bus, truck, air, pipe line, and barge competition. An appeal for a square deal.

**THE DISARMAMENT PUZZLE.** Allen Welsh Dulles. *Foreign Affairs*, July. Problems coming to the fore. Pertinent background to intelligent interpretation of Secretary Stimson's visit to Europe.

**TIT-FOR-TARIFF.** Oliver McKee, Jr. *Outlook*, June 24. Exports are vital to our production system. What effect the tariff has had on their decline.

**THE CASE AGAINST HENRY FORD.** Murray Godwin. *American Mercury*, July. There are good points as well as bad. Informal, thought-provoking.

**RUSSIA'S ECONOMIC CONFLICT WITH THE UNITED STATES.** Eli B. Jacobson. *Current History*, June. Facts concerning Soviet imports into the United States and the share they represent of total imports.

**HOW THE A & P VIEWS ADVERTISED BRANDS.** John A. Hartford. *Printer's Ink*, June 18. About 42% of 1930 gross sales of \$1 billion were sales of branded goods.

**OIL, GREAT BRITAIN AND THE UNITED STATES.** Arthur C. Veatch. *Foreign Affairs*, July. What politics have done in determining oil policy. Status of world control today.

### REPORTS—SURVEYS

**EFFECTS OF THE ADVERTISING AGENCY COMMISSION SYSTEM.** William J. Reilly. Privately printed, 35 pp. Presents the ill effects of the advertising agency commission system and offers specific suggestions for correction.

**A PERSONNEL PROGRAM FOR THE FEDERAL SERVICE.** Herman Feldman. House of Representatives Report, 289 pp., 30¢. Study of the problems of personnel administration and employee relations in the United States Civil Service with suggestions of how it might be brought to higher levels in the light of modern personnel methods.

### BOOKS

**WAGES IN THE UNITED STATES, 1914-1930.** National Industrial Conference Board, New York, 226 pp., \$3. Comprehensive statistics of wage and related conditions, weekly and hourly earnings, changes in wage-earnings in relation to cost of living and indexes of both money and real earnings.

**CARIBBEAN BACKGROUNDS AND PROSPECTS.** Chester Lloyd Jones. Appleton, 354 pp., \$4. Economic and social factors fundamental to the prosperity of the Caribbean countries.



# Steel Finds Saving in Shipping By Water Instead of Rail

**Automobile industry, using 5 million tons a year, cuts freight bills from \$2 to \$3 a ton**

STEEL is turning to the water to reach its markets and to reduce freight charges on both raw and finished materials.

This trend is particularly noticeable in Detroit, where the automobile industry alone uses nearly 5 million tons of steel a year, and has been given impetus by even lower water rates this year. Savings in freight as against rail movement vary, but probably average \$2 or \$3 a ton.

Michigan Steel Corp., pioneer steel manufacturer in Detroit, now ships a cargo of sheet steel by water to the General Motors factories at Oshawa, Ont., and claims that by shipping through the Great Lakes, New York State barge canal, and the Hudson river, it can put steel into New York City cheaper than Pittsburgh mills using the more expensive all-rail delivery.

## Detroit's Threat

This practice actually hasn't started, but remains as a threat in case Detroit mills want to expand. At the present time the automobile industry takes all their tonnage, but observers believe that the steel producing capacity in Detroit will eventually exceed the demand.

Great Lakes Steel Corp. has built its new mills on the Detroit river, where it can dispatch its products by boat whenever expedient. Otis Steel Co. at Cleveland is shipping steel by water to the Ford Motor Co. at Dearborn, Mich., and to other automobile companies in the Detroit area. Bethlehem Steel is penetrating both the Detroit and Chicago markets by boats from its Buffalo plant. Bethlehem's business in the Chicago district is largely dependent on this

ability to ship cheaply by water; otherwise it could not compete on a price basis with Chicago mills.

United States Steel Corp., through its principal subsidiary, Carnegie Steel Co., is shipping over the corporation's Bessemer & Lake Erie from the Pittsburgh and Youngstown districts to Conneaut, Ohio, on Lake Erie, and thence by boat to Detroit. Illinois Steel Co. is transporting its products by boat from Chicago to Detroit, hoping to maintain a schedule through the summer months of a boat a week.

## Ford and Chevrolet

Ford Motor Co. and Chevrolet Motor Co. are the two biggest steel customers receiving material by water. Boats ply the Rouge River direct to Ford's Rouge works and steel for Chevrolet is transferred from boats at the Nicholson dock in Detroit and switched by rail to the forge and gear and axle plants. There has been an increasing tonnage of steel moving to Detroit by water and thence by rail to automobile plants at Lansing, Flint, and other interior Michigan points.

## Anticipating Requirements

Chevrolet Motor Co.'s gray iron foundry at Saginaw, Mich., now gets practically all of its pig iron by water from the Buffalo blast furnaces of the Hanna Furnace Corp., paying in transportation charges little more than the switching charge in Detroit for this long haul, whereas formerly the company paid \$2.10 a ton all-rail from Detroit to Saginaw. The foundry builds up a supply of pig iron in the fall, perhaps 65,000 to 75,000 tons, to take care of

its requirements while the lakes are closed to navigation during the winter months.

The motor industry, however, has not made inland steel mills which cannot ship by water meet delivered prices quoted by mills that can. The automobile industry is loath to narrow its sources of supply, probably not so essential just now, but of vital importance at periods of high production. Nevertheless the handwriting is on the wall. As the number of mills with water shipping facilities increases, buyers are likely to ask inland plants to meet the lower prices. This is one reason why steel plant construction at Detroit is not expected to stop, for inland mills must protect themselves and their present markets.

## Pittsburgh Pioneers

Pittsburgh district mills also are taking advantage of cheap transportation on the Ohio and Mississippi Rivers. In March, 104,792 tons of steel were moved on the Ohio River in the Pittsburgh district, compared with 109,911 tons in March, 1930, a remarkable showing in view of the decrease in business compared with a year ago. Jones & Laughlin Steel Corp. and Wheeling Steel Corp. were pioneers in developing their own Ohio River tow boat and barge facilities, and move their products down the river to the Mississippi and thence to Memphis and other warehouse points for use there or for transshipment to the Southwest. Shipments of pipe to the Oklahoma and Texas oil fields have been exceptionally heavy in the last few years from the Pittsburgh district.

## Youngstown's Hopes

It is Youngstown's desire to be able to use the Ohio River to ship its products that has put it solidly behind the project to build a canal connecting the Ohio River and Lake Erie via Youngstown.

Even in the South at Birmingham, the steel industry is equipped to use the



**ENGLISH EXTRA-HEAVY**—The Great Western Railway developed this special car for handling electrical transformers and other heavy machinery. It has 24 wheels, will carry 120 tons. Arrangements can be made for "store-door delivery" of these big loads, and rates quoted include both rail and road transportation

water. Birmingham is connected by a switching railroad with Birmingham, 23 miles distant, which in turn is connected with Mobile by the Warrior River with a permanent 8-ft. channel. The Mississippi-Warrior barge service (federal-owned and operated) owns the switching railroad, and switching charges from Birmingham to Birminghamport are included in the barge rates on through traffic.

#### Mobile's New Docks

At Mobile privately-owned docks have been supplemented by new state docks costing \$10 millions. The steel industry of Birmingham therefore is looking to Latin America and the Orient, rich markets as yet barely scratched. Sea-going barges are towed direct from Birminghamport to Houston, Tex., and other Southern points.

The importance attached to a water location is shown by the recent purchase by Jones & Laughlin of the plant of the Lukens Steel Co. at New Orleans, giving it a steel fabricating, warehousing, and distributing base at the mouth of the Mississippi. With the completion of the intercoastal canal between New Orleans and Corpus Christi, Tex., the company's service will be extended to Port Arthur, Beaumont, Galveston, Houston, and other Texas cities by all-water delivery from Pittsburgh.

#### Russia to Have World's Largest Scrap Iron Yard

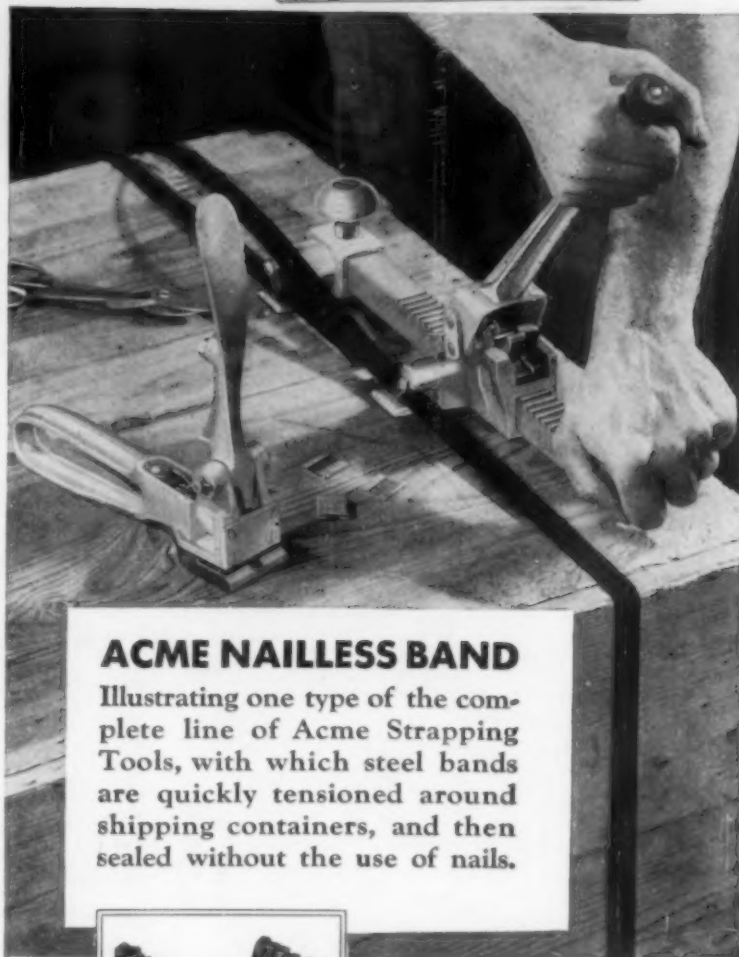
RUSSIA is to have the world's largest scrap iron yard. Capacity is to be 400,000 tons of metal annually, includes 60,000 tons of sheet metal of  $\frac{1}{8}$  in. thickness, 17,000 tons of steel and cast iron chips, 40,000 tons of castings to be broken up.

The plan was revealed in New York when the advice of Benjamin Schwartz, director of the Institute of Scrap Iron & Steel, was sought by Russian officials.

#### Proxy Notice Includes An Advertising Sample

REMINGTON Rand, Inc., manufacturer of business machines and office equipment, includes an adroit piece of advertising in its notice to stockholders of the annual meeting, July 14. The proxy notice, to be signed and returned, is printed on the back of a "sales analysis" form, one of the Remington Rand Products, thus bringing a sample to the stockholder as well as providing for his proxy.

*"Bound to get there"*  
REG. U.S. PAT. OFF.



#### ACME NAILLESS BAND

Illustrating one type of the complete line of Acme Strapping Tools, with which steel bands are quickly tensioned around shipping containers, and then sealed without the use of nails.



Chair legs strapped into secure, easily handled unit with Acme Nailless Band. This is just one example of many applications to odd shaped packages.

If you have not yet investigated the economies that can be effected through the use of Acme Nailless Band—how this tempered steel reinforcement protects against damage, stops pilferage, and saves as much as 30% on container costs and weight, do so at once. . . . . Write for new booklet showing various money and time saving uses for Acme Nailless Band—how it is used on all sizes of boxes and crates, for bundling small packages and loose parts, and for bracing carload freight.

68

**ACME STEEL COMPANY**

General Offices: 2832-40 Archer Ave., Chicago

**SAVE  
STEEL**

Branches and Sales Offices in Principal Cities

# Don't fire



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McGRAW-HILL PUBLISHING CO., Inc., New York · Chicago · Philadelphia · Washington

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Product Engineering  
Engineering News-Record  
Construction Methods





## until you see the whites of their eyes

When business is going full blast, when sales-promotion ammunition is plentiful, a stray shot here and there may, perhaps, be excused. But when the powder supply must be used sparingly, when every shot must hit its target, then it's time for business to heed that famous battle cry: "Don't fire until you see the whites of their eyes."

Today that time has come. Today there must be no shooting at random. Your advertising must aim at business *through the publications that reach your prospects exclusively.*

If you're selling to business or industry, McGraw-Hill publications are the ones to use. The character of their editorial content and the work of their circulation staffs have singled out, for your benefit, over half-a-million business men, indus-

trialists and engineers — the men at whom you're aiming. In a recent check-up 69% of these executives stated that they look to their business papers for information to guide their buying.

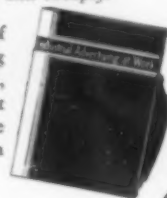
We've lined them up for you, made it easy and economical for you to get at them. It's your move.

### ★1 Jobs that business paper advertising can do NOW

Here's one of ten ways in which business paper advertising can help your salesmen to get orders . . . right now.

*\*It can put your sales story before buyers, all over the country, frequently and cheaply.*

This, and the other uses of business paper advertising are explained in our book, "Industrial Advertising at Work." Our representative will gladly bring you a copy on request.



# PUBLICATIONS

Detroit • St. Louis • Cleveland • Los Angeles • San Francisco • Boston • Greenville • London

Engineering and Mining Journal  
Engineering and Mining World  
Metal and Mineral Markets  
Coal Age

Electric Railway Journal  
Bus Transportation  
Aviation  
Textile World

Electrical World  
Electrical Merchandising  
Electrical West  
Power

Radio Retailing  
Electronics  
Food Industries  
Chemical & Metallurgical Engineering

# Poverty of Pools Will Force Ottawa into Wheat Relief

OTTAWA (*Special Correspondence*)—Some form of federal government intervention in the wheat situation is virtually certain. It will aim at ensuring to farmers better prices for this year's crop than they would be likely to get from the pools and independent grain trade.

Economic conditions in Western Canada are so acute that relief is practically imperative. The provincial governments, with their credit almost exhausted, are unable to provide it. The farmers are without purchasing power and business is stagnant.

## Nothing for Farmers

In Ottawa urging the setting up of a federal wheat board to exercise a monopoly of wheat marketing, prairie provincial premiers supported their proposition with representations that the pools would not be able to make a greater initial payment to the farmers than 35¢ a bushel, which would leave nothing for the farmers after threshing and freight costs had been deducted. Such payment would do nothing to serve the vital necessity of restoring purchasing power.

Legal and constitutional difficulties stand in the way of a federal wheat board. The courts have held that such matters are not within the sphere of federal authority. The Ottawa government recognizes these obstacles and also the opposition of sections of the public to a federal wheat board. Consequently, federal intervention is not likely to take that form.

Failing anything in the way of a wheat board, western interests suggest, without enthusiasm, an arrangement with United States for holding present surplus from the market until this year's crop is sold.

## Bennett Is Studying

Premier Bennett is examining the possibilities of other methods of providing federal assistance. He has asked the prairie governments to consider a joint provincial board. If Ottawa will provide the money and take the loss, the provincial governments probably will be satisfied. Their latest idea is a governmental purchasing monopoly rather than a marketing monopoly. A government board would take over all the wheat and pay the farmers 45¢ or 50¢ a bushel, sell the wheat through the established commercial channels. If

there was loss the federal government would absorb it; if the wheat sold for more than the initial payment to the farmers supplementary payments would be made.

## Speculation Necessary

After complaining about the operations of wheat speculators to such an extent as to cause the Bennett government to bring an economist from England, Sir Josiah Stamp, to investigate the matter, the wheat pools and provincial governments now attribute their present difficulties largely to the absence of the speculative element from the market. In the absence of the speculators the pools can't insure their operations by "hedging"; there are no purchasers for their future options. This situation bears out the finding of the Stamp commission that trading in futures is a necessary and legitimate part of the grain business.

## Subsidy in Freight

In his budget legislation a month ago Mr. Bennett proposed a freight rate subvention of 5¢ a bushel on wheat for export. He has found it impracticable to limit it to export wheat and has decided to extend it to all wheat. Other difficulties remain, chiefly that of ensuring that the benefit goes to the farmers.

Little Canadian wheat is moving down the lakes. Canada Steamships Company, usually operating 15 grain vessels out of Port Arthur and Fort William, has 14 tied up with no cargoes for them.

## Canadian Tariff Board To Follow U. S. Model

OTTAWA (*Special Correspondence*)—Taking the United States tariff board as a model, Finance Minister Bennett is preparing to set up a Canadian board to function in the same way. Its principal duty will be to determine the spread between costs of production in Canada and other countries and difference in conditions attending production so that proper tariff adjustments may be made for the protection of Canadian producers.

A difference will be that while in the United States the Executive may act on the recommendations of the board, in Canada only parliament can change the tariffs. But under changes in the



A HOT TIME—Major William Duncan Herridge, who sweltered in this 40-pound state uniform as he presented his credentials to President Hoover as the new Canadian minister to the U. S.

Canadian Act made since the present government came to office, much can be done by the government in the way of increasing protection by anti-dumping and values-for-duty orders in council.

Canada had a tariff board for four or five years but the Bennett administration abolished it on coming to office a year ago, claiming it was a political body. It was not responsible to parliament. The new board will be created by statute.

Among its functions will be that of determining whether manufacturers take advantage of the tariff to exploit consumers and to investigate charges of

monopoly in restraint of trade. To protect it from political influence, members will hold office for ten years and not be privileged to seek election to parliament for two years after retiring from office.

## Dominion Magazine Duty Just a Hasty Impulse

OTTAWA (Special Correspondence)—Premier Bennett's impulsiveness betrayed him in the proposed 15¢ a pound customs duty on foreign magazines. It was to have gone into force July 1 but has been postponed till August 15 and will not be applied then as intended.

Designed primarily for revenue, it has been found unworkable in that connection, destructive of existing revenue and unpromising as a source of new revenue. The duty on certain popular United States publications would be prohibitive and no revenue would be collected, while about a half million in postage would be lost.

Prospects of having some of the American magazines printed in Canada have faded. Only one is now understood to be considering that move and it isn't wanted, either through the customs or from Canadian presses.

Belated second thoughts on the whole proposition reveal it to be full of difficulties and extensive modification will be necessary.

## Canadian Dairy Product Exports Cut by Tariff

As evidence of what our tariff is doing to their export business with the United States, Canadians point to the sharp decline that has taken place in dairy shipments to this country.

A year ago in May Canadian exports of fresh cream to the United States amounted to 163,095 gallons; in May this year the cream exports were practically wiped out, the total for the month showing only 996 gallons. Canadian exports of fresh milk also have virtually ceased, whereas in 1929 the Dominion had sold over \$6 millions (in 1930 nearly \$5½ millions) worth of cream and milk to this country.

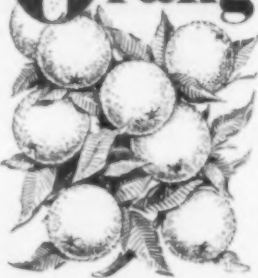
Thus the Hawley-Smoot tariff, by increasing the duties on cream from 30¢ to 56.6¢ a gallon and on milk from 3½¢ to 6½¢ a gallon, has succeeded in shutting out foreign competition. Another factor which has helped to bring this about is the greater decline in American than in foreign dairy prices.

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in **4** Metals



## Oranges won't grow in MAINE



Atmospheric conditions are against the raising of this splendid fruit so far north. It's the same way with fencing.

Corrosive elements in the atmosphere vary in different parts of the country. A good fence in one locality may be foolish extravagance in another, because of the changed corrosive conditions it has to withstand.

To make PAGE Fence last longer and give the best service per dollar invested, it is now available in these four fine metals—each the best for certain atmospheric conditions:

1. PAGE ALCOA ALUMINUM
2. PAGE ARMCO INGOT IRON
3. PAGE COPPER-BEARING STEEL
4. PAGE ORNAMENTAL WROUGHT IRON

Call in a PAGE Fence expert. He will tell you which PAGE Fence will give the longest service at the least upkeep in your particular locality.

76 Service Plants erect PAGE Fence everywhere. Write for name and address of plant nearest you. They will gladly consult with you and offer suggestions from plans to erection. Also, send for new illustrated booklet—Border Patrol—which contains complete information and shows various styles. No obligation. Address Page Fence Association, 520 N. Michigan Ave., Dept. D93, Chicago, Ill.

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# FENCE

CHAIN LINK OR ORNAMENTAL WROUGHT IRON



# Business Abroad—Swift Survey Of the Week's Developments

Because its repercussions have been worldwide, and generally bullish, world business has let its interest focus on the Paris moratorium conference. . . . Stock markets have staged their boom based on the first blush of excitement and optimism, and have eased off. . . . Commodities are still optimistically up. Turnover of the 4 principal metals on the London exchange has doubled under the new stimulus. . . . Germany is a bit nervous. . . . France is demanding extreme caution, is watching domestic business activity decline. . . . British business is not active but the tone has improved. . . . Latin American governments are taking comfort from commodity improvement, are hoping for financial relief from New York. . . . Japan's technical market boom brought new stock highs for the year, lifted raw silk prices.

## European Markets Soar As Result of Debt Plan

EUROPEAN NEWS BUREAU (Radio)—The evolution of the Hoover Plan is the most significant event of the week. Its causes and effects have completely

obliterated all industrial and commercial developments. Universally booming markets during the past week were spontaneous. Stock markets in Europe rose from 9% to 20% within the week, while the most active issues actually gained from 40% to 60%.

### Commodity Spurt

Commodities, especially the basic metals, were jubilant after 2 years of gloomy decline. The turnover of the 4 principal metals on the London exchange during the week sprang from the usual 12,000 tons to more than 28,000 tons, which, whether it was caused by short covering or industrial purchasing, is highly enlightening as to the why's and wherefore's of previous declines.

The possible duration of the German efflux of gold and foreign currencies, both from foreign and domestic sources, is not yet staunch and gives rise to disquietude despite the new \$100 million credit granted by the creditor nations. The French cabal for the moment also is exercising a certain detrimental effect on the good already accomplished, but will certainly be short-lived since France also has participated to an unexpected extent in the Hoover revival.

Continental crops are exceptionally

fine except in Spain, Hungary, and Czechoslovakia where they are suffering from drought. It appears that Russian spring wheat sowings are somewhat below the area planned, but they are now estimated at 78 million acres above the 1930 total. There is still no information concerning Soviet crop conditions. The present European situation disallows any heavy import requirements in the coming year. Certainly demands for grain imports will not exceed those of last year.

Yugoslavia has passed a law whereby importations and exportations of all cereals will be made under a newly-organized government monopoly and, beginning July 5, the monopoly will purchase wheat at a fixed minimum price.

### Spain a Republic

For the second time in history, Spain this week became a republic. Parliamentary elections resulted in an overwhelming republican landslide. For the moment, the monarchist issue is buried. The new republic will, however, be faced with 3 major sources of difficulty: (1) the Catalan separatist movement, (2) anti-clericalism, (3) socialism. There is yet no valid reason for supposing that these issues will jeopardize the new government. There is reason to expect, however, that political, and consequently business, conditions in Spain will be unsettled for an indefinite period. A reassuring element is the use finally being made of the Spanish gold



LARGEST OF THE SWEDISH MATCH FACTORIES—Jonkoping is the headquarters of Svenska Tandsticks Aktiebolaget (Swedish Match Co.) which supplies over half the matches of the entire world from its 150 factories in 36 countries. It has its own timber lands, chemical plants, paper mills and printing plants, employs some 50,000 people

reserve for currency stabilization. This reserve is the third largest in the world; anomalously, it exceeds in value the exchange value of paper currency in circulation; has been hoarded while the peseta depreciated. Currency stability will be a support to business during the unsettled political situation which lies ahead.

### Poland Cuts Salaries

In Poland the severity of the depression has caused the government to inaugurate new economy measures which include salary reductions of 40% for government employees. Despite the severity of the crisis, no banks have failed to meet all regular obligations. Except for sporadic communist riots which are being severely repressed by the government, conditions are quiet.

Tension in the Austrian situation was removed when the government, responding to pressure brought by Dr. Bruin, adviser to the Austrian National Bank, and foreign creditors interested in Credit-Anstalt, agreed to guarantee domestic as well as foreign liabilities of the reorganized bank.

Revelation of Emile Francqui's plan for a "Bank of National Export Banks" has stirred not a little interest in Europe. Features of the proposed bank include: initial capital of \$100 millions, fully subscribed but only 10% to 20% paid in; a bond issue up to 4 times the bank's capital, the bonds to be jointly guaranteed by European governments.

M. Francqui is believed to favor including Russia in the list of countries to which credit may be extended by the bank.

### Tone of British Business Reflects World Optimism

Tone improved but volume of business no better.... Stocks and commodities up. Retail sales slightly improved. Unemployment increasing again.... Financial aid promised for India.

LONDON (Cable)—The generally improved world outlook, despite the degree of uncertainty over Paris conversations, has created an improvement in the tone of British business though it has failed to bring about any wide increase in actual trading. Stocks and commodities are markedly better. Retail sales have improved. The labor situation is better due to the provisional settlement of the engineering trade dispute in which more than 1 million workers were involved.

Of course, the chief political interest centers in debt conferences in Paris. At home the land tax question has split the Liberal party, but it is not affecting the immediate tenure of office of the Labor government. It does promise the return of the 2-party system at the next elections.

Unemployment returns for June 15 showed an increase of 18,032 over the previous week, and an increase of 735,629 for the year. On June 13 the outstanding debt on the unemployment insurance fund had grown to \$43 millions. With present borrowing power limited to \$45 millions, which will be exhausted by July 6, the government has found it necessary to raise the total to be borrowed this year to \$575 millions, an increase of \$125 millions. Based on an average register of 2½ million unemployed (which already is exceeded), this should carry unemployed insurance payments until January.

### Goodwill Gesture

The government has made a second strategic move to strengthen imperial goodwill. The first was the inclusion of the dominions in the debt moratorium agreement. The newer move is the announcement from Premier MacDonald that the British government is prepared to underwrite the credit of the Indian government. For more than 60 years, England has refused to accept responsibility for Indian government stocks. Recently, however, the world depression, the uncertainties which have attended the discussions of Indian constitutional changes, the provisions in the new constitution for financial stability, all have reacted unfavorably for India. To remove "groundless apprehensions" the Labor government has now decided to give the Delhi government financial support should the need arise.

### Steel Encouraged

Sheffield steel interests were encouraged this week when invited to offer a bid on materials for the Chinese government railways. The order, the first instalment of purchases which will total \$17½ millions, is being made on funds which have just become available in the final allocation of Britain's share of the Boxer indemnity fund. The Nationalist government at Nanking contemplates an extensive program of railway and road construction.

Russia is still a buyer and a seller in the British market. This week Russian salesmen ran into the blank wall of British resentment. For some time there have been active attempts by a part of the British public to prevent further business relations with the Soviets on



## A merchant from Penzig wants to see you!

Many American business men sail a route to profits—twice each year they go to the Leipzig Trade Fairs. Here they shop all of the important markets of Europe and Asia in less than one week!

From Penzig and Budapest, from Waasa and Yokohama—both the great international markets and the small communities of craftsmen (famed, but hard to reach!)—manufacturers will come to the Fall Fair from August 30th to September 3rd.

A total of 125,000 buyers from 72 countries will attend. They will see general merchandise and novelties of 6,000 firms—and industrial, building and household supplies of 1,000 firms. These exhibitors come from 22 countries. New trends, first shown at Leipzig, travel throughout the world.

We know that 95% of the American buyers who once go to Leipzig go again. They know there is an extra price advantage in buying at Leipzig today!

Among the manufacturers exhibiting at the Fall Fair are 175 firms showing lighting fixtures and kindred lines; 168—chemicals, cosmetics, pharmaceutical products; 220—precious metals, jewelry, clocks and watches; 676—glassware and ceramics, crockery and pottery; 812—household goods, metalware, electric household appliances; 392—applied art and artistic crafts; 542—notions and fancy goods; 249—leather goods and traveling requisites; 455—furniture (including wicker furniture); 133—musical instruments, radios and radio parts; 116—confectionery and foodstuffs; 687—stationery, office appliances, books and graphic arts; 140—sporting goods; 260—advertising appliances (including wrappers, posters, novelties). At the Textile Fair—from August 30th to September 2nd—more than 700 exhibitors will participate.

Your trip to Leipzig is both easy and profitable. We shall be glad to furnish further details on any lines in which you are interested. We can also secure for you discounts on most of the railroads in Europe and make other arrangements which will guarantee you a pleasant stay abroad. Please use the coupon below.

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For 700 years  
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the score that their products were the work of forced labor. This week the Metropolitan Water Board of London refused a Soviet bid on construction timber, made their purchases from the Swedes at a 3% higher price.

## France Sees Little Hope For Early Improvement

Business conditions are not satisfactory. . . Stocks continue active. . . Signs of stabilization are receding. Rail receipts down. Textile strike not settled. Budget deficit grows. . . Interest centered in political moves.

PARIS (Radio)—Conditions continue to be persistently unsatisfactory. With the trend toward stabilization still well below last year's levels, there is little hope now for early improvement. Rail receipts and carloadings again have receded sharply. The textile strike, now entering the seventh week, is not yet settled. Stock markets, buoyed by the Hoover proposal and the stimulus from New York are still active, but pessimism regarding France's future policy is becoming evident. Debt conversion projects, due for consideration, have been sidetracked by more pressing issues and will not be considered in this session of Parliament. This adds to budget difficulties. Already the 1931 deficit is estimated at \$92 millions.

### Socialist Surprise

The week's interest has centered exclusively in political moves. The Cabinet won in Friday's Hoover debate, despite a split, because the Socialists unexpectedly lent support.

French reaction is gradually shifting from one of resentment to anxiety over the fate of the Young Plan. The spontaneous acceptance of the plan throughout the world, the rumors of growing sentiment among radical elements in Germany for revision, is causing France to insist on the maintenance of the machinery of collection and payment and on some guarantee of resumption of payments by Germany.

Although some compromise is almost certain, France is holding out for more strict terms than any other country has proposed. Not a little support is gained from the feeling that President Hoover is in a position where he is forced to bargain. Any move which would seriously jeopardize this upturn is unlikely.

Rumors of railway rate increases are confirmed by the announcement of a new government bill which provides for passenger rate increases up to 5 times

the pre-War rates. With a 20% reduction in the transportation tax as a counterpart, the resultant net increase is only 10%.

There is considerable indignation in France over the news that Roumania is developing closer trade relations with Germany. As a member of the Little Entente, Roumania is considered by finance-minded Frenchmen almost a subject state. The recent trade treaty obviously is an attempt to get some much needed business for the Roumanian farmer. What is more to the point, Roumania needs more money than the recent poorly-subscribed Roumanian loan in Paris brought to her. What better way of getting it out of the French than by playing them against the Germans?

## German Business Awaits Word on Moratorium

Business is adjusting itself to new situation. . . Stock market still nervous but maintains gains. . . Money market improved; private discount at 7%. . . Small gain in employed only seasonal. . . Industrial activity steady.

BERLIN (Cable)—Business is anxiously awaiting the outcome of the French-American debt moratorium parleys. Acceptance of the French amendment means a budget saving of \$250 millions instead of \$350 millions according to the original Hoover Plan. The pressure for reparation transfer on foreign exchange is relieved in either case.

The stock market, though nervous, has maintained most of its gains. Stock index at the end of the week at 73.7 against the mid-June low of 65.3. The money market has stiffened; the private discount rate is unaltered at 7%.

The status of the Reichsbank on June 23 demonstrates how close Germany was to financial breakdown. Total gold and foreign exchange loss since the end of May is close to \$300 millions, cover is down to 40.4%, implying the inability of the Reichsbank to maintain a 40% minimum cover beyond the end of June, if there had been no outside help. The \$100 million international credit will replenish Reichsbank gold resources and provide cover for the issue temporarily of \$250 millions in notes to meet the pressure of half year demands, pending the final consummation of the holiday plan. At the same time, the \$60 million, 8%, 3-month credit for the Reich arranged with German banks



International News

**TROUBLES EASED—Herr Kurt Weigelt, director of the Deutsches Bank, Germany's strongest banking house, who sees a more optimistic future with the acceptance of the debt holiday plan**

helps the treasury over the critical date, July 1.

The decline in the number of unemployed in the first half of June by 53,000 to 4 million is merely seasonal, the total is still 51% above last year.

### Nordwolle Fails

The week's most discouraging feature is the \$5 million loss of Nordwolle, Germany's largest woolen concern, due more to financial mismanagement than to the serious price fall since the depression. Financial reorganization is being effected through the issue of preferred shares. In the change the Lahusen family, previously in control, will be replaced by new management.

German industry has fared better than might be expected through the recent crisis and rally. Coal shipments of the Ruhr Syndicate, for example, made a very satisfactory showing in May, with 6,872,000 tons to compare with 6,461,000 tons in April. Steel output also showed a slight increase from 741,000 tons in April to 744,500 in May. Activity in the chemical industries is improving. The postponement of the North German Lloyd order for 2 ships has caused the great Bremen ship-



yards of Deschimag to dismiss 900 men. Personnel is thus reduced to a bare 1,000 men, where in normal times Deschimag employs 10,000.

## Budget Surplus Adds Bull Factor for Italy

**Stocks rise 4% to 15%...Unemployment increases in some branches of industry...Shipping less active...Soviet-Italian business expands.**

MILAN (*Radio*)—Italy's enthusiasm over the debt moratorium is reflected in the 4% to 15% rise in stock prices on the Bourse during the week. To this the government added a bull factor in its announcement that, for the first time in 9 months, the national budget in May showed a surplus—\$15,300,000. This reduces the total deficit to \$52½ millions. All foreign exchange rates except the pound sterling have improved.

The general business situation, however, has not changed. In a few branches of industry there is even increasing unemployment. The cotton, wool, and building industries, in particular, are faced with difficult conditions, have, in a few cases, appealed to the government for authorization to cut wages. Port traffic is down 13%; the Italian shipping lines' share in the decline is 18%.

### Ask Higher Wheat Duty

Wheat harvesting is in progress. The crop is abundant and of good quality, has led farmers to agitate for a further increase in duty from \$1.02 to \$2.75.

Russian trade is expanding. Italy's Azienda Generale Italiana Petroli (AGIP) has concluded with the Soviets a new agreement expanding the volume of Russian oil to be taken regularly by Italy. Soviet timber imports have increased to the point where Italian lumber traders are seeking a quota and fixed-price agreement. There is still no official report of new business which is expected to result from the visit to Moscow of the Italian trade delegation.

## Prices and Moratorium Talk Encourage Latin-America

Debt moratorium and rumors of credit extension buoy prices, stir some optimism...Commodity prices continue to rise...Coffee shipments expand.

UNTIL they become concrete, rumors of aid to credit-pinched Latin American countries can have only transitory effect on business. But reaction to the mora-

torium proposals and the resultant rise in world commodity prices is creating a bit of optimism (page 9).

Within recent weeks, coffee has sold at 27% above the low price of early April; sugar prices have improved 21½%; copper is up 16%; tin 15%.

Washington's report of foreign trade for the first quarter of 1931 shows marked declines for several Latin American countries. Mexican imports from the United States declined 42%, totaled only \$19 millions. No other Latin country was included in the "Big Ten" of our export markets. Brazil retained fifth place as a supplier, sold us only 19% less than in the previous year. Cuba, by selling us \$21½ millions in goods, advanced from fourteenth to eighth place as a source of supply. Imports from Colombia declined 21%, but the country sent \$21,400,000 in goods to this country.

### Brazil Feels Stimulus

Brazil has reacted favorably to the moratorium proposal. Stocks and bonds showed the greatest gain of the year, and agricultural produce markets improved. Coffee shipments increased during the week. Retail sales are slightly improved.

Argentina is continuing heavy grain shipments. Peso exchange is up.

## Silk Leads Improvement in Japan; Stocks Climb

**Stocks and commodities in record rise...Government economizes to meet deficit.**

THE Japanese market is still dominated by the rally in Wall Street, is almost sure to reflect the late technical reaction.

Stocks continued to climb, gained an aggregate of \$100 millions in the week following the bull news of the Hoover proposal. Spinning shares increased most heavily. Among the commodities, silk showed record improvement, touched a new high for the year. Prices reacted slightly June 29.

### Economy Measures

The estimate that the budget will show a deficit of \$30 millions for the first 3 months of the fiscal year has led the government to take further economy measures. Salary cuts were made last month. This month army and navy expenditures were ordered slashed. The deficit is due largely to a decrease in import revenue, a fall in railway revenues, and smaller returns on the cigarette tax.

The Formosa 5½%, \$22,800,000 loan, offered June 26, was well subscribed, was the first long-term foreign issue offered in New York this year.



*The Business Week*  
**LITTLE ENTENTE**—Foreign Ministers (left to right) Benes of Czechoslovakia, Prince Ghica of Roumania, and Marinkowitch of Jugoslavia consider the Anschluss, decide it wrong for Germany and Austria but all right for the Little Entente



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### Compensation Insurance Needs Compensating Rates

EMPLOYERS are facing a rise in the cost of workmen's compensation insurance. Just as legislative largess has wrecked business-like unemployment insurance in Britain, increasingly liberal enactments have led to a crisis in America's only form of social insurance. The situation is less catastrophic than in England, but the trends are exactly similar. And the situation presents a warning to be considered in future insurance law-making.

In 1930, companies writing workmen's compensation insurance suffered an underwriting loss for all states amounting to \$132 millions on total sales of \$196 millions. Sixty-two stock companies operating in New York state showed a countrywide underwriting loss of \$18 millions on total premium income of \$143 millions as compared with a loss of \$16 millions on premium income of \$147 millions by 54 companies in 1929. Highest in 1930, losses rather than profits have been the rule ever since 1919.

#### It Can't Go On

These underwriting deficits have been covered in part by other income, chiefly from investments, and by profits from other types of insurance. But insurance men insist that they cannot continue in such magnitude without undermining the stability of their companies.

Along with the increasing liberality of the states in the matter of benefits allowed under workmen's compensation laws, the increasing mechanization of industry, enlarging the risk, is pointed to as a cause of the swollen payment total. And recently workmen have been taking greater hazards in their anxiety to make a sufficient production showing to survive payroll cuts. Finally, medical costs have been rising and there have been inevitable delays in obtaining governmental approval of rate increases.

#### 17 States Have Funds

Seventeen states operate workmen's compensation funds under state auspices. Private companies are barred in 7—Nevada, North Dakota, Ohio, Oregon, Washington, West Virginia and Wyoming. An employer has the choice of placing the insurance with the state or with private companies in 10—Arizona, California, Colorado, Idaho, Maryland, Michigan, Montana, New York, Pennsylvania and Utah.

The National Convention of Insurance Commissioners recognized the situation at a recent meeting at Chicago and advised the companies to take remedial steps, indicating an early rate boost.

# The Figures of the Week And What They Mean

Uncertainty over the outcome of the war debt negotiations has tempered the enthusiasm which stimulated the stock and commodity markets a week ago. The underlying economic situation remains the same. The Federal Reserve Board reports a slight decline in industrial production in May.... Weekly indicators continue their downward trend.... Railroads await the action of the Interstate Commerce Commission, but relief is not likely to be swift.... Wheat and cotton markets are depressed by the extensive holdings of the Farm Board which refuses to lock up all of its purchases.... Due to weakness in the major components of *The Business Week* index of general activity, a new low of 74.1% was reached during the week of June 27, compared with 76% the preceding week.... A year ago, the unseasonal rise of building contracts awarded lifted our index to the level of 100.3% of normal for a fortnight.

CONTINUED contraction in steel operations has reduced the industry to little more than 33% of its possible capacity, according to Dow, Jones. Production at present averages but 51% of normal compared with 54% the preceding week. The improvement in a number of commodity prices as a result of the debt moratorium news did not spur steel consumers into buying steel products. Automobile production in the United States during May totalled 315,115 units, a decline of 6.1% from April and 25% from a year ago. The five months of 1931 now run 29.2% behind 1930. Registration figures indicate that sales and production have been held in close balance. Passenger car sales in May declined 6.8% from April and 28.2% from a year ago. In the past 5 months, sales declined 30% from the same period in 1930. A further decline in automobile production in June and July will be reflected in the lessened demand for steel.

*Iron Age* reports that railroads have ordered a little more freely on hopes of securing a freight increase. But the increase ordered in class freight rates, which is estimated to add over \$50 millions to railroad income will not be effective until December. According to *Steel*, only 5,134 freight cars have been ordered this year against 31,606 last year and 56,930 in 1929. Both the low level of traffic and the improved efficiency of the railroads contribute to lowering the demand for steel.

## Construction

Complete data on the volume of June construction will be available in the next issue. An estimate covering the last week of June has been made for inclusion in the index. Contracts awarded in the 37 states during the first 19 business days of June ran 6% ahead of the same period of May. It is possible that the total for the whole month of June will bear approximately the same relation to May. The extraordinary volume of public works contracts awarded during the close of June, 1930, exerted a freakish influence on our composite index forcing the general indicator above the normal level for the brief space of 2 weeks.

|   | Latest<br>Week | Preceding<br>Week | Year<br>Ago | Five Year<br>Average<br>1926-1930 |
|---|----------------|-------------------|-------------|-----------------------------------|
| THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....                            | 74.1           | 76                | 100.3       | .....                             |
| <b>Production</b>   |                |                   |             |                                   |
| Steel Ingot Operation (% of capacity).....                                  | 33             | 35                | 64          | 76                                |
| Building contracts (F. W. Dodge, 4-week daily average in thousands).....    |                | \$12,422          | \$23,010    | \$22,756                          |
| Bituminous Coal (daily average, 1,000 tons).....                            | *1,107         | 1,112             | 1,333       | 1,466                             |
| Electric Power (millions K.W.H.).....                                       | 1,593          | 1,579             | 1,657       | 1,494                             |
| <b>Trade</b>  |                |                   |             |                                   |
| Total Carloadings (daily average, 1,000 cars).....                          | 123            | 122               | 153         | 168                               |
| Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....       | 85             | 86                | 101         | 108                               |
| Check Payments (outside N. Y. City, millions).....                          | \$3,916        | \$4,588           | \$5,806     | \$5,680                           |
| Money in Circulation (daily average, millions).....                         | \$4,765        | \$4,773           | \$4,468     | \$4,731                           |
| <b>Prices (Average for the Week)</b>  |                |                   |             |                                   |
| Wheat (No. 2, hard winter, Kansas City, bu.).....                           | \$ .60         | \$ .74            | \$ .84      | \$ 1.29                           |
| Cotton (middling, New York, lb.).....                                       | \$ .101        | \$ .093           | \$ .137     | \$ .179                           |
| Iron and Steel (STEEL composite, ton).....                                  | \$31.11        | \$30.99           | \$33.34     | \$35.88                           |
| Copper (electrolytic, f.o.b. refinery, lb.).....                            | \$ .085        | \$ .079           | \$ .116     | \$ .140                           |
| All Commodities (Fisher's Index, 1926 = 100).....                           | 70.3           | 70.0              | 85.7        | 94.8                              |
| <b>Finance</b>  |                |                   |             |                                   |
| Total Federal Reserve Credit Outstanding (daily average, millions).....     | \$957          | \$946             | \$976       | \$1,237                           |
| Loans, Investments, Federal Reserve reporting member banks (millions).....  | \$22,343       | \$22,425          | \$23,140    | \$21,520                          |
| Commercial Loans, Federal Reserve reporting member banks (millions).....    | \$7,837        | \$7,862           | \$8,580     | \$8,750                           |
| Security Loans, Federal Reserve reporting member banks (millions).....      | \$6,703        | \$6,720           | \$8,479     | \$6,965                           |
| Brokers' Loans, N.Y. Federal Reserve reporting member banks (millions)..... |                | \$1,406           | \$3,219     | \$3,796                           |
| Stock prices (average 100 stocks, Herald-Tribune).....                      | *\$124.40      | \$119.95          | \$159.10    | \$148.88                          |
| Bond Prices (Dow, Jones, average 40 bonds).....                             | \$95.38        | \$95.22           | \$95.00     | \$95.50                           |
| Interest Rates—Call Loans (daily average, renewal).....                     | 1.5%           | 1.5%              | 2.2%        | 5.6%                              |
| Interest Rates—Prime Commercial Paper (4-6 months).....                     | 2.0%           | 2%                | 3-3 1/2%    | 4.5%                              |
| Business Failures (Dun, number).....  | 422            | 467               | 490         | 433                               |

\*Preliminary

†Revised





## FORD EXPRESS!

THE time has come for freight to fly! Transportation of passengers by air is already an established factor in business. So also is air transportation of mail.

The new Ford plane, designed primarily for freight, mail and express, first appeared at the National Aircraft Show in Detroit.

The wings and fuselage of the Ford Express conform to the specifications of the famous Model 5AT Ford transport. Its greatest distinguishing feature is that it is equipped with only one motor . . . a Hispano-Suiza 715-H.P. (American rating at 2000 r.p.m.) water-cooled engine.

### PERFORMANCE SPECIFICATIONS ARE:

Pay load, 3500 pounds.

Useful load, 4900 pounds.

Weight of plane, 6100 pounds.

Gross weight carried by plane, 11,000 pounds.

High speed . . . 135 m.p.h.

Cruising speed . . . 110 m.p.h.

Ceiling . . . 15,000 feet.

Rate of climb . . . 700 feet.

The Ford Express plane is specially valuable as a carrier where swift freight and express are at a premium.

• FORD MOTOR COMPANY •

## The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Bituminous coal production declined slightly during the week of June 20, forcing our adjusted index to 57% of normal compared with 60% the preceding week. Anthracite production increased by 12% in the same period.

Electric power production has turned upward to the highest level in the past 4 weeks, but the total tonnage change is too small to indicate any improvement in industrial conditions. Our adjusted index moved to 87% of normal compared with 86% the preceding week.

Carloadings made but a slight recovery during the week of June 20 as a result of increases in the shipments of grain, forest products, ore, coal and livestock.

### L.C.L. Freight

A decline in the 2 major groups of miscellaneous and less-than-carlot freight was not sufficiently great to affect our adjusted index of these loadings which remained at 74% of normal.

Estimates of third quarter loadings submitted by the Shippers' Regional Advisory Board forecast a decline of 9.3% compared with the same period of 1930. Estimates of decline made for the first and second quarters of this year ranged between 5 and 6%, but actual loadings fell 18% behind the corresponding periods of 1930. The Advisory Board predicts the sharpest declines in the shipments of agricultural implements and ore, with increases in fresh fruit and food products.

The roads have avoided the difficulties of selective rate increases and have notified the Interstate Commerce Commission that their original demand for a

uniform 15% rate increase holds. Hearings are scheduled for July 15 and August 31. Meanwhile the prospects for improvements in earnings will hinge upon an unexpected rise in freight traffic. May earnings of 74 roads parallel those of the first 8 reported last week, showing a gain over April but a 35% decline from a year ago in net income.

Check payments made another poor showing, falling to the lowest level since February and causing a sharp drop in the adjusted index from 82% of normal to 78% for the week of June 24. While a 24% decline for the week was shown in New York City, the decline in both other large financial centers and the smaller cities was great enough to cause nearly a 15% drop in the 140 cities outside of New York.

### Currency

Currency circulation showed but a slight decline during the week of June 27, leaving our adjusted index unchanged at the high level of 118% of normal. Ordinarily the week preceding the July 4 holidays shows an increase in currency circulation. The level remains above that of the past 3 years.

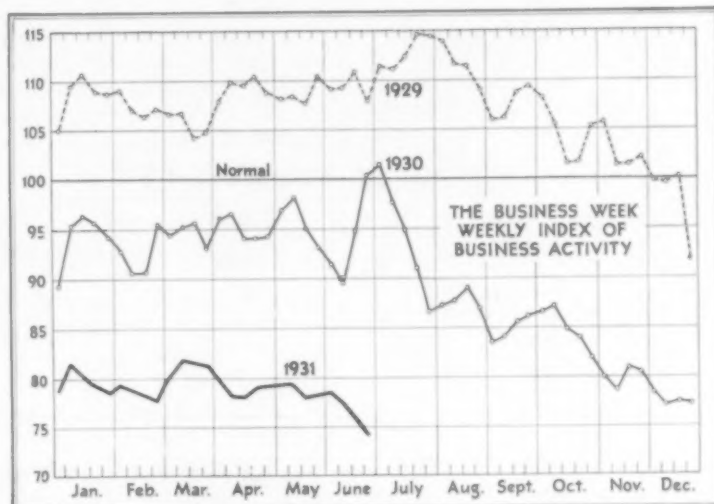
The rise in commodity prices following the Hoover announcement is reflected in the general indexes of wholesale prices of both Fisher and the National Fertilizer Association. Some hesitation has been apparent in many commodity prices in the past few days, as the debt proposals met obstacles dampening enthusiasm and focusing attention on the unchanged statistical position of basic commodities. After brisk copper buying in June, demand slackened and offerings were made at 8½ cents compared with the recent level of 9¢ a pound delivered. Zinc prices

have advanced since June 29 while lead is unchanged. Both of these groups have been more successful in their curtailment programs than the copper industry. The drop in cash wheat prices at Kansas City from 74¢ to 60¢ during the last week of June reflects the adjustment to the new crop basis. June wheat in Chicago was lifted 8¢ in the squeezing of the shorts at the close of June. Efforts to force the Farm Board to withhold all of its 200 million bushels or more of wheat were only partially successful. The Board proposed to sell 5 million bushels a month in the next 12 months in addition to such export contracts as are pending. It refused to set a price at which it would sell its holdings. The threat of crop damage through continued hot weather receives less than the ordinary attention of traders. Cotton prices continued to rise until June 27 and then started to decline. Wool prices continue to firm as the outlook for the industry improves. The low level of steel scrap prices is reported to have stimulated buying by a number of large consumers. *Iron Age* reports an increase in scrap prices at Pittsburgh for the first time since February.

### Loans

Commercial loans turned downward again, though the New York District has seen an expansion for two consecutive weeks. Our adjusted index declined to 111% of normal for the week of June 24 from 112% the preceding week.

Business failures continue the downward seasonal trend characteristic of this season of the year. With only 422 defaults for the week of June 25, a better showing for the week is made than in any year since 1926.



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## CONDENSED STATEMENT OF CONDITION

At the close of business, June 30th, 1931

### RESOURCES

|  |                         |
|--|-------------------------|
| Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers . . . . . | \$126,234,952.86        |
| United States Government Securities . . . . .                                  | \$4,175,611.42          |
| Other Bonds and Securities . . . . .   | 44,303,716.77           |
| Loans and Bills Purchased . . . . .  | 146,358,371.36          |
| Real Estate, Bonds and Mortgages . . . . .                                     | 4,514,677.58            |
| Customers' Liability for Acceptances and Letters of Credit . . . . .           | 32,833,952.49           |
| Accrued Interest and Other Resources . . . . .                                 | 1,791,256.99            |
|  | <u>\$410,212,539.47</u> |

### LIABILITIES

|   |                 |                         |
|---|-----------------|-------------------------|
| Capital . . . . .                           | \$12,500,000.00 |                         |
| Surplus . . . . .                           | 30,000,000.00   |                         |
| Undivided Profits . . . . .                 | 5,643,994.38    | \$48,143,994.38         |
| Deposits . . . . .                          | 285,431,379.63  |                         |
| Outstanding Checks . . . . .                | 38,146,567.87   | 323,577,947.50          |
| Dividend Payable June 30th, 1931 . . . . .  |                 | 625,000.00              |
| Acceptances and Letters of Credit . . . . . |                 | 33,639,238.78           |
| Reserve for Taxes, Interest, etc. . . . .   |                 | 4,226,358.81            |
|   |                 | <u>\$410,212,539.47</u> |

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# Trends of the Markets

## In Money, Stocks, Bonds

Stocks hesitate on numerous uncertainties, most important of which is Paris negotiations. . . . Bonds are disturbed by fiscal year-end developments, but expect stimulus from re-investment of dividends, interest. . . . Latin American bonds rally on intimations of financial aid to those nations. . . . Money rates ease further. . . . Bank of England rate-cut discussion prominent.

### Easy-Money Factors Become More Effective

FURTHER manifestations of the extreme ease of money appeared this week, together with a continued accumulation of gold and receding business, the 2 factors chiefly responsible for the ease. Such a plethora of funds existed that the financial transactions of the fiscal year-end were completed without causing money rate fluctuations.

Investment shifts to more liquid short-term paper brought a rise of  $\frac{1}{4}\%$  in 4-months' time money to  $1\frac{1}{4}\%$  and a corresponding reduction in short maturities of commercial paper. The Treasury sold \$100 millions of 90-day bills, receiving huge over-subscriptions and obtaining its money for  $\frac{1}{8}\%$ . So-called federal funds—excess member bank reserves—have been quoted from  $\frac{3}{4}\%$  down to  $\frac{1}{4}\%$  attesting the extreme condition there. A comprehensive ex-

planation of this condition appears on page 5 of this issue.

Outstanding domestic monetary features of the week were the huge disbursements on June 30 and July 1. Dividend and interest payments are estimated to have reached \$945 millions, down more than \$50 millions from last year. Both business and financial concerns are watching eagerly for this money, all hoping to get a share, wondering how depression will affect disposition of it. A large increase in money in circulation also occurred as spending money for the holiday was withdrawn. This movement is purely temporary, will be reversed next week, retiring the Federal Reserve credit it brought out.

The most important monetary interest abroad was speculation over chances of a new reduction in the Bank of England's discount rate, and the result such action might have.

### Stocks Mark Time, Ready To Move Either Way

THE recession in stock prices this week reflected some of the doubts and fears arising from Parisian snags in the negotiations for relief from international obligations. Impaired technical conditions within the market resulting from the recent unusually rapid rise, un-

certainty in several directions plus some fiscal year-end adjustments were contributory to the decline.

The market provided little in the way of an interpretation or forecast of business in the week, has rather reflected its own uncertainty. The "hope rise" of the last 2 weeks has ended; prices are on the higher level justified by continuance of that hope. Now, in a period of hesitation, the market is again extremely sensitive, can be quickly driven one way or the other by some concrete development just as it has been in recent weeks.

### Motive Forces

Anyone of a number of possibilities may develop the motive force. Business indicators are again making new lows, a trend which may be dramatized marketwise at any time. Early weeks will bring the rain of second quarter earnings statements—certain to be poor—which may or may not have been discounted.

On the other hand there are tremendous supplies of credit on hand which may be put rapidly into use at any time. The commodity position holds the possibility of important developments on the favorable side. High government and financial authorities appear to be working more militantly against depression than for some long time. And the market should receive some stimulus, though small, from the millions paid in dividends this week.

Ready to be thrown into the balance is the international debt situation and, with it, the trend abroad—probably the most important single factor at present. Railroad developments blow hot and



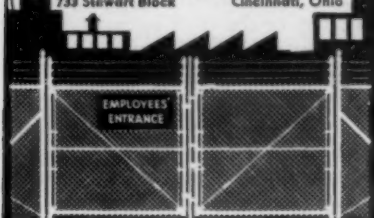


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## What the News Means

Interpreting the news is a major function of this journal . . . its editors have the time, training, judgment and facilities to trace and bring to your attention the relationship of one item of news to another, and to point out its significance to the underlying trend of events.

**THE  
BUSINESS  
WEEK**

cold by turns, defy evaluation; rail earnings are running 35% to 40% below levels of a year ago. And it is not clear what may be expected from agriculture.

One striking event of the week is pictured on the chart on the preceding page. Stock prices met, and were turned back at a resistance point almost exactly that at which the abortive April rally collapsed. This is approximately the level of December lows. The low points of recent weeks have not been thoroughly tested.

## Bonds Expect Stimulus From Re-Investment

THE bond market's irregularity this week was due, in part, to the same causes of uncertainty from which stock prices suffered, but equal in importance were adjustments for the end of the fiscal year. In almost all classes of bonds there was a rise followed by weakness and irregularity.

Bank "window dressing" preparatory for the end-of-year statements was somewhat disturbing. The banks sell a portion of their investments for cash in order to show greater liquidity on their published statements. The unusually liquid condition of banks this year has made the current movement smaller than usual, though it continues a factor. Corporate selling to establish tax losses and for miscellaneous purposes also was disturbing.

This unsettlement, the approaching holiday, and prevailing uncertainty, cut the amount of capital borrowing to a low level, as contrasted with last week. However, this week brought the first foreign, other than Canadian, issue in some time. It was the \$22.8-million Taiwan (Formosa) Electric Power flotation. Guaranteed by the Japanese government and sold by a Morgan-headed syndicate on a 5.90% yield basis, the issue was quickly disposed of.

Another feature of the week was the abrupt rally in Latin American bonds on widely published intimations that some aid would be forthcoming for the financially hard-pressed nations to the south. After an initial run-up in price this section of the market hesitated, awaiting something more definite.

## New Issues Await Signal

Bondmen expect a stimulus next week on re-investment demand from the millions paid out in dividends and interest this week, but wonder how the funds will be distributed in this unusual year. A considerable volume of new issues is waiting to take advantage of any sufficient signs of strength.

Latest figures show banks in leading cities still selling bonds other than governments and buying governments, a trend which they have followed for several weeks. Life insurance companies favored public utility and municipal bonds, while fire insurance companies were buying almost entirely U. S. Governments.



# Letters

## The Contractor's Plight

T. A. Allen Construction Co.,  
Los Angeles, Calif.

To the Editor:

After reading the editorial "Speaking of Operations" in *The Business Week* of May 6, the writer was moved to consider the state of his particular industry. He has taken the liberty to follow the lead of various high-power committees and avoid any remedies or conclusions.

The plight in the construction industry for the contractor and his crew becomes monthly more acute. The building activities of the post-war construction upswing brought into this field increasing capital investment and constantly improved equipment and machinery.

Then with the fall-off of 1929 the squeeze began. Nobody wanted a new factory when the old one had suddenly become too large. No one wanted a new residence when his income was suddenly reduced enough to make his present home seem quite commodious. Municipal aggrandizement and beautification schemes faltered. Corporation budgets were scanned and pared. The speculation in "speculative building" became mostly retrospection. The brakes were on.

Work under progress, of course, carried on. Some embers of enthusiasm still flickered here and there. So huge and cumbersome a machine could not grind to an abrupt stop. The flashy organizations of skyrocket rise made dead stick finishes. The conservative organizations curtailed expenses where possible, tried to consolidate their gains and "dig in." The overhead began its relentless grind on the production income end of the business. Work was taken at cost, or less than cost, to keep equipment in tune and to maintain some semblance of organization.

After 18 months of this, the industry is in a state of dull lethargy illuminated only by distress. Competent workmen stand in idle lines at every going project waiting for a possible chance for a job. Wage cuts are consolidated as new and larger jobs are figured and bid on the basis of wage rates that the contractor sees in effect on smaller jobs around him.

"Rubber ethics" stretched and strained at every point seem to be the order of the day. Owners take innumerable bids and alter and cut their plans and send them out into the market again and again until they "catch a sucker." Contractors, hungry for work,icker and bargain and meet and cut their competitors' figures in the scramble for business. Workmanship becomes "a lick and a promise." The owner pays reluctantly and tardily.

The relations of all are on a "sore thumb" basis.

While the distress of the more daring bidder, in his reckless effort to keep up volume, is the more spectacular, the quiet drain of unavoidable expenses necessary to keep up a "going concern" is creating an almost equal though less spectacular distress in the conservative ranks of the industry.

Sincerely yours,

T. A. ALLEN,  
President

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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

July 8, 1931

## Follow Through

THE collapse of confidence and the piling up of idle credit resources in this country during the past year have been the main factors tending to prolong and deepen the depression. In large part both were the result of financial crises and political disturbances abroad which, in a kind of vicious circle, served to intensify the paralysis and the contraction on a world-scale.

Theoretically, perhaps, this country might have washed its hands of the world-wide economic mess, withdrawn within itself, and on the basis of its vast resources, and with new types of foreign trade control, re-established a kind of self-contained prosperity. Perhaps our economic policies ought to be pointed more and more in that direction in the future.

For the present it has become brutally clear that we cannot escape our responsibility in this world-wide crisis. Recovery has appeared impossible and almost universal ruin inevitable unless the vicious circle in which we are involved is broken. As a result of the war our domestic economic interests have become inextricably interwoven with a vast network of international forces, strong and sensitive. These rule the security and commodity markets, and they in turn rule American business psychology.

Out of the chaos consequent upon the collapse of confidence and the credit contraction which followed our stock market crash one sad fact has emerged to haunt our conscience. We have not realized but shamelessly side-stepped the responsibilities we acquired when, by accident of the war, we became a creditor nation.

We were catapulted into foreign finance as a callow creditor country and have imagined that the only equipment needed is a crew of enthusiastic, high-pressure bond salesmen, and the only technique necessary is to sell the innocent native up on a long line of high-priced loans, unload the engravings on the equally innocent investor, and step out and forget both.

The idea that a creditor nation has any continuing obligation to stand by its debtor, especially in time of trouble, has never entered the heads of many of our banking syndicates who started us on our creditor career. Today we are reaping some of the wild oats we have sown in the foreign financial field.

The debt moratorium move is a sign of America's coming of age as a creditor nation. This extension of credit to an unfortunate foreign debtor is a recognition of our responsibility in world finance. It is unfortunate, but inevitable in the emergency, that the Government had to assume on behalf of the American people a responsibility of which private initiative was incapable. But it has brought our obligation home to us, and given us the cue to constructive action in other fields.

Our responsibilities in South America are even greater. They are indisputably private, not public. They are equally urgent, and perhaps much more important to our future. The President could follow his European proposal with no more constructive act of leadership than to urge the private financial interests who have been most active in Latin-America in past years to organize a kind of credit Red Cross rescue expedition to save the situation in certain of these countries.

It would require no great resources. A little lift at this psychological moment would go a long way. A few millions, would save billions. It would be the best investment American business could make for the future. If we leave Latin-America in the lurch now, we will repent it later.

In this emergency there is no alternative to private action. What is at stake here is not merely America's responsibility as a creditor nation, but the resources and reliability of American business leadership.

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